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THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

Y 4.F 76/1:F 87/6

The North American Free Trade Agree...

HEARINGS

BEFORE THE

COMMITTEE ON FOREIGN AFFAIRS

HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

OCTOBER 28, 1993
NOVEMBER 5, 1993

Printed for the use of the Committee on Foreign Affairs



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CONTENTS

Page

THE NORTH AMERICAN FREE TRADE AGREEMENT

NOVEMBER 5, 1993

WITNESSES

The Honorable Warren Christopher, Secretary of State	4
The Honorable Lloyd Bentsen, Secretary of Treasury	8

MATERIAL SUBMITTED FOR THE RECORD

The Honorable Donald A. Manzullo, a Representative in Congress from the State of Illinois, prepared statement	37
Additional questions submitted for the record to Secretary of State Warren Christopher by Congressman Christopher H. Smith	39

OCTOBER 28, 1993

Discussion on draft letter and draft legislation to President Clinton concerning NAFTA	41
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MATERIAL SUBMITTED FOR THE RECORD

Legislative recommendations from Chairman Hamilton on NAFTA submitted to the administration	45
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HEARING ON NAFTA

FRIDAY, NOVEMBER 5, 1993

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to call, at 10:05 a.m. in room 2172, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman) presiding.

OPENING STATEMENT OF HON. LEE H. HAMILTON

Chairman HAMILTON. The committee will come to order.

The committee meets this morning to discuss one of the more important issues facing the Congress this year, the North American Free Trade Agreement.

The focus of the discussion on the North American Free Trade Agreement has been on its economic impact: Will NAFTA create jobs or cost jobs? Will it send American companies packing to Mexico or simply send more American exports south of the border? These, obviously, are important questions.

This morning, the committee will address those issues; but I also hope we will address a different aspect of NAFTA, the very important one: NAFTA's impact on U.S. foreign policy and U.S. standing in the international community. How will NAFTA affect the broad scope of our relations with Mexico, close American ally, as well as our neighbor? How will it affect customs problems, immigration, illegal drug interdiction? What impact will NAFTA have on our relationships throughout the rest of Latin America? How will it affect our ability to reach those huge markets? Not only what happens if NAFTA passes, how many jobs it creates, how many plants it closes, but also what happens if it fails? What does that do to our stature in the world? What signal does it send about our willingness to participate in international trade negotiations, not to mention our commitment to free trade. What does it say about our willingness to be engaged in the world?

We are very pleased today to have two distinguished members of the President's cabinet with us, Warren Christopher, the Secretary of State, and Lloyd Bentsen, Secretary of the Treasury. Secretary Bentsen, of course, served in the House of Representatives some years ago and had a very distinguished career in the U.S. Senate.

We are honored to have both of you here, gentlemen. I will ask if any of my colleagues have any comments they would like to make at this time?

If not—Mr. Smith?

OPENING STATEMENT OF HON. CHRISTOPHER H. SMITH

Mr. SMITH. Thank you very much, Mr. Chairman.

Mr. Chairman, I want to welcome to the committee Secretary Christopher and Secretary Bentsen to our committee and thank them in advance for coming and making a presentation on behalf of the administration.

In the coming weeks, Mr. Chairman, I plan to vote against the measure. I have read volumes of documents, participated, as have many members of this committee, in several hearings and heard the arguments on both sides from economists, pundits, political candidates, labor unions, and the business community.

I remain, Mr. Chairman, very concerned about the potential affect of NAFTA on the security of jobs in the State of New Jersey as well as in America. I am quite skeptical about the uncertainty the agreement will bring to certain labor markets in this country.

The numbers have ranged from 5.9 million jobs being at risk due to relocation or low-wage competition according to some of the estimations, to the creation of a gross total of 316,000 jobs according to the Institute for International Economics.

Charles Marciante, the president of the AFL-CIO in New Jersey said in a speech 190,000 jobs in my State of New Jersey would be lost.

While those numbers vary, an estimated 500,000 to a million jobs could be lost according to some estimates, the General Accounting Office, acknowledging the major economic studies on NAFTA, agree there will indeed be significant job losses for Americans attributed to NAFTA.

Mr. Chairman, according to Lester Thurow of MIT, "This is going to have a big effect on wages of the low-skilled, bottom, one-third of America's work force. Any part of the American work force whose jobs can physically be moved, should expect to see wages fall."

I look forward to the testimony. I am, like other members of the committee and the Congress, very concerned about the job issue.

Chairman HAMILTON. If there are no further comments?

Mr. Brown.

OPENING STATEMENT OF HON. SHERROD BROWN

Mr. BROWN. Thank you, Mr. Chairman.

Secretary Christopher, Secretary Bentsen, welcome to the committee. I am a little disturbed, in the last couple of weeks, about the tone of the NAFTA debate especially this sort of a Japan-bashing that the administration seems to be engaged in. Even in one document that the pro-NAFTA people cite over and over, the briefing book, "The Continental Shelf" by Will Norman, Jr., even in that document, the proponent of NAFTA states that President Salinas himself insists NAFTA would ultimately make it easier for Mexico to attract investment south of the border.

Many of us against NAFTA have been making that assertion all along, that NAFTA will in fact allow Mexico, encourage Mexico to be an export platform for the Japanese to gain the Japanese even more access to the American market.

I can only bring up the statement that I hear from the proponents of NAFTA so often, the line that they can already do it, about American business going to Mexico, the Japanese can already go to Mexico now and do not seem to be investing there because their interest is not the Mexican market but the American market. NAFTA gives them more access to that.

The other issue, briefly, Mr. Chairman, is, I am disturbed that the administration with its very laudable record on talking about human rights violations around the world, particularly Mr. Bentzen's and Mr. Christopher's, and others in the administrations own history of concern about human rights, articulated so well by people like Mr. Lantos on this committee; I don't hear that same concern or even issue brought up about President Salinas.

The pro-NAFTA people often made Salinas—because of his urbaneness, Harvard education—out to be much greater than he is, much more interested in human rights than he is. Even in a CIA briefing not long ago, we really did not get answers to the question of the assassination of political leaders, political opponents, the assassination of journalists, the assassination of labor leaders in Mexico that were antigovernment.

I just cannot believe that we are holding up Mexican democracy—and I use that term very loosely—as a model for where we as a nation want to be. It seems to me the passage of NAFTA puts the—American “Good Government Housekeeping” seal of approval on what the Mexican Government did to its people in the last 60 some years. The PRI political party, which since the fall of the Bolsheviks, has been the longest standing single political party rule anywhere on this globe.

So I plan to oppose the agreement. I look forward to hearing the testimony, particularly on human rights, particularly the Japanese issue, why the administration keeps talking about the Japan issue.

Thank you, Mr. Chairman.

Chairman HAMILTON. The chairman got more than he bargained for here when he asked for opening comments.

Two of my colleagues want to be recognized. I recognize Mr. Rohrabacher and Mr. Bereuter and ask them to keep their remarks reasonably brief if they would so we can go forward with the testimony.

OPENING STATEMENT OF HON. DANA ROHRABACHER

Mr. ROHRABACHER. I will make it very short, Mr. Chairman.

I do want to welcome Secretary Christopher and Secretary Bentzen. Just for the record, I would like more opportunities to discuss foreign policy issues with you, Secretary Christopher. I would hope you would be here more frequently. NAFTA is not the only thing we need to discuss with you. That is just one—a favor I would like to ask in the beginning, if we could just say that it is our opinion on the Republican side we would like more of a chance to have public discussions with you on the foreign policy issues of this administration.

With that said, let me applaud the administration on the very tough stand the administration and the President has taken on NAFTA. I think it is exemplary, and I know it is more difficult for

Democrats who have union support to come out and have to confront this—the nonsense that has been spread about NAFTA.

I want to really congratulate both of you and the President for the strong stand he has made, the articulate championship of this important issue, especially California. The demagoguery, the hysteria, we heard on this issue is just incredible. We have reason—opposition as we heard here today on this panel. Out in the hinterland, the demagoguery is overwhelming.

I would especially congratulate the President and this administration for a willingness to confront the number one demagogue on this issue, the little man from Texas who has been spreading lies about this and now seems to have an unwillingness even to debate the issue seriously. Keep the pressure up on this fellow. He has been saying a lot of things. He seems to lack the courage to confront the President or the Vice President in a serious discussion of the issue without all sorts of people cheering, chanting, and taking away attention from the serious debate of the issue.

So congratulations. Thank you. I will be doing my best to work with you on this issue.

Chairman HAMILTON. Mr. Bereuter.

OPENING STATEMENT OF HON. DOUG BEREUTER

Mr. BEREUTER. Thank you, Mr. Chairman. I want to welcome our distinguished guests for their testimony today. Let me offer a few more kind words.

I think that you two gentlemen and, the United States Trade Representative, Mickey Kantor, together with the President and rest of the administration have done a very good job of presenting the case for NAFTA. There is much information out there today, but I think you have helped this member conclude that NAFTA is in the short-term and long-term best interests of the United States.

Incidentally, it is helpful to Mexico as well. It will result in slowing the loss of manufacturing jobs. It will create additional manufacturing jobs, net new jobs in this country, and create net new jobs total in this country. I think you have done a good job. There is work to be done. I want to commend you for the efforts you brought and put forth.

Thank you for coming.

Chairman HAMILTON. Let's go ahead.

Mr. Secretary.

STATEMENT OF HONORABLE WARREN CHRISTOPHER, SECRETARY OF STATE

Secretary CHRISTOPHER. Mr. Chairman, members, thank you very much for giving me this opportunity to come today and talk about the North American Free Trade Agreement.

Mr. Chairman, before beginning, I would like to take this opportunity to compliment you personally on the sustained and enlightened leadership you have given the nation in the field of foreign policy. Whatever the issue, especially in times of confrontation and crisis, I think we are always able to count on you for steady and insightful judgements. I really want to pay tribute to you before I begin to discuss this particular issue, Mr. Chairman.

Chairman HAMILTON. Thank you. You are off to a terrific start, Mr. Secretary. Thank you very much.

Secretary CHRISTOPHER. I believe that this agreement deserves approval on economic merits alone. I am also convinced the foreign policy implications of NAFTA make a very compelling economic case even stronger.

Secretary Bentsen will describe the economic benefits of NAFTA and, I think appropriately, I will be talking about the foreign policy benefits.

For the United States and Mexico, NAFTA is about a good deal more than tariffs and trade. It is about more than growth in jobs even. It is a symbol of a new relationship and a new spirit of cooperation. Approval of NAFTA and the side agreements will increase Mexico's capacity to cooperate with us on a wide range of issues that affect our security in direct and tangible ways.

Let me mention just one example of the kind of cooperation that NAFTA will make available, and that is on illegal immigration. Legal immigrants from Mexico and other nations continues to make an important contribution to America's diversity, vitality, and democracy. At the same time, as you know, the Clinton administration is committed to reducing the illegal immigration. A growing Mexico economy, I think, will be very helpful in reducing the push pressure that has been so important in creating the illegal immigration. As Janet Reno, the Attorney General, said the other day, if NAFTA is defeated, "stopping the flow of illegal immigrants will be much, much more difficult, if not impossible."

For many years, Mr. Chairman, the United States and Mexico were, as one observer put it, "distant neighbors." Until recent times, Mexicans saw Americans as a source of pressure and even danger, while Americans saw Mexican poverty as a source of instability.

Fortunately, Mexico has been growing and changing, modernizing, and developing a middle-class. In the last 2 years, Mexico has made unprecedented efforts to open its economy, to reform its political institutions, including the judiciary and the electoral system. Mexico's attitudes about the world have changed very dramatically during this period of time.

I must say that their attitudes on issues of human rights, which are very important to me, have also changed. The issue to me in the human rights field is not whether Mexico is perfect now or how they rate on a scale of a hundred; it is the direction of the trend. The important issue is whether or not NAFTA will help push that favorable trend in the right direction. And I am convinced it will. I am convinced a defeat of NAFTA would set back what I think is a favorable trend which has been pushed forward by President Salinas.

Today the United States and Mexico are working together not only to solve issues on the border but to diffuse hemispheric conflicts and crisis. Our work in Guatemala and El Salvador are good examples. Mexico will enable other Latin American countries work together, to move beyond the old suspicions and outdated assumptions.

For more than half a century, every American President, Democrat and Republican, has stood for cooperation with Mexico.

NAFTA represents a bipartisan commitment to widening and improving America's ties with its Latin American neighbors, particularly with Mexico. NAFTA has, as I think you all know, the support of the five former Presidents of the United States who are now living, a really unusual demonstration of bipartisan unity.

In many respects, Latin America is pointing the way toward a more hopeful future in the whole post-cold war era. In Latin America, democracy is ascendant. Markets are opening. Conflicts are being peacefully resolved. By approving NAFTA, the United States will send a powerful signal that we support this kind of development.

I believe the vote on NAFTA will be one of the most important decisions that you Members of the Congress will make in this decade. To consider what is fully at stake, I think we must consider not only the economic and diplomatic gains that will come from NAFTA but what America and Americans will lose if NAFTA does not go into effect and goes down to defeat.

One of my jobs as Secretary of State is to consider the downside of alternative courses of action. I tell you, in my judgment, the downside of rejecting NAFTA would be quite enormous.

First, defeat of NAFTA would severely damage our relations with Mexico. Our carefully nurtured efforts to improve relations would be scuttled as a sense of rejection sets in across the border. I have no question but there will be a deep sense of rejection if NAFTA is defeated by the Congress. From the standpoint of the United States and our foreign policy, this would be a self-inflicted setback of historic proportions.

A second consequence of the defeat of NAFTA would be to hand our major economic competitors in Europe and East Asia a gilt-edged invitation to go after what should be a natural market for our goods and services. They will not hesitate to gain a foot hold where we fear to tread.

I have had a good deal of experience in my professional life with Japanese businessmen. I have great admiration for their initiative and imagination. I have no question but if there is a defeat of NAFTA, we will find Japanese businessmen moving into Mexico to take advantage of the opening that we have left by the sense of rejection that we would have created.

Third, rejection of NAFTA would send a chilling signal about our willingness to engage in Latin America at a time when so many of our neighbors are genuinely receptive to closer cooperation. It would complicate our efforts to find diplomatic solutions to regional crises and threaten peace and stability in the hemisphere.

Fourth, while there is no good time to defeat NAFTA, there could be no worse time than the present time, when the GATT negotiations are in the final crucial days leading up to the December 15 deadline.

At this delicate stage of the Uruguay Round, the United States must maintain maximum leverage and must exercise maximum leadership. NAFTA's success will affirm our international economic leadership. It will signal to our trading partners that we are serious about opening markets and we have the political will, the determination, the courage to follow through.

On the other hand, failure of NAFTA would call into question our credibility as a reliable negotiating partner and hamper our efforts to expand world markets. I must say, Mr. Chairman, the world is watching.

The next 40 days can shape the economic world and shape America's future in it. Not only will critical decisions be made on NAFTA and GATT but, in addition, we will host, in Seattle this month, a ministerial meeting of the Asian Pacific Economic Cooperation forum. The so-called "APEC" conference will be attended by an historic gathering of the leaders of the 16 members of APEC that President Clinton will host, for the first time, in Seattle. This will enable us to establish a framework for regional economic cooperation, integration, and trade liberalization in Asia.

With NAFTA, GATT, and APEC, the United States has, in the next 40-day period, an extraordinary convergence of opportunities to show we are committed to the international trading system and that we want to do everything we can to promote global growth and jobs for Americans.

Fifth, and finally, NAFTA's rejection would undermine our commitment to open markets in a liberal world trading order. Opposing an agreement that eliminates trade barriers is really an argument for protectionism. It is only a short intellectual walk from opposing the lowering of tariffs to favoring the erection of higher trade barriers.

This is simply the wrong course for the United States. We have seen the consequences of protectionism once before in this century in the late 1920's and the early 1930's, and once was certainly enough.

I believe that to oppose NAFTA is to reject the principles of free trade that have helped make America a very prosperous nation in the last half century.

Beyond all the specific points, marshaled for NAFTA, a broader, overriding principle is at stake from a foreign policy standpoint. It is that America cannot and should not and will not thrive if it withdraws from the world. The defeat of NAFTA would not only forfeit an opportunity to strengthen our economy but it would constitute a profoundly disturbing move toward isolation, toward abdication of the role America must assert to protect our interests and promote our values. It would weaken our position not only on international economic issues but on other foreign policy concerns which are very important to our security.

A vote on NAFTA will determine whether we chose to engage or retreat in the global economy, whether we will enable our workers who are the most productive in the world to compete and win, or whether we will try in vain to insulate ourselves from the rapid worldwide economic change taking place all over the globe.

I don't believe we can afford to shrink from the natural and growing market for our goods and services that Mexico represents. I don't believe that we ought to undercut the President at a time when negotiations on the Uruguay Round are in their final stage. I don't believe that we ought to endorse the kind of economic isolation that squanders the chance to create American jobs and surrenders a part of America's global leadership. I believe that a vote to approve NAFTA is a vote for American engagement that will echo

around the world especially in our own hemisphere. It is a vote to expand political freedom and free markets throughout the hemisphere and to extend cooperation between the United States and the countries of Latin America.

It is a vote to reinforce the foundations of free trade that will be a foundation for prosperity in the next century.

NAFTA is a once-in-a-generation opportunity. Approval will signal our confidence at home and abroad that our economy is going forward and that we are participating in the international trading system.

With NAFTA, we are building an economic future and a foreign policy worthy of our great Nation.

Before I conclude, Mr. Chairman, let me just take a minute to respond to Mr. Rohrabacher. I guess I should be complimented he would like to see more of me up here.

But I want to say, Congressman, that I have testified in meetings like this, or comparable ones, 31 times in the 9 months I have been in office, far more than my predecessor, as Secretary of State. With the travel schedule I have, I think that is a strong record of participation. But I want to say to you, if you ever want to talk to me, please call me up. I will answer the telephone and come up and talk with you. I have a rule that I answer congressional calls on the same day that I receive them.

I think that that is a commitment I certainly have tried to keep despite my travel schedule. I feel very responsive to you. I want to be here as often as I possibly can. I am committed to continuing to do that.

Thank you very much, Mr. Chairman.

Chairman HAMILTON. Thank you, Mr. Secretary.

Secretary Bentsen.

STATEMENT OF HONORABLE LLOYD BENTSEN, SECRETARY OF THE TREASURY

Secretary BENTSEN. Thank you, Chairman Hamilton, Congressman Leach, distinguished members of the committee. I appreciate the chance to appear with Secretary Christopher to talk about NAFTA.

First, let me say to you, Mr. Chairman, I was very appreciative of your sending me your speech on NAFTA, too. I must say, the first thing I did after reading it was to send it throughout Treasury. We probably have the fourth printing by now.

When we talk about NAFTA, this is not a theoretical exercise for me. I was born and reared on that Mexican border. I have seen good deals, and I have seen bad deals with Mexico. I think this is a good deal.

I think it is important that everyone understand that this agreement is not the cause of the problems that make some Americans concerned about NAFTA, but it is going to solve some of them. This trade agreement didn't pollute the border region, but it will help clean it up. This trade agreement has not sent American jobs south; and, in fact, it will create better paying jobs for Americans here. This trade agreement is not responsible for any unease people may feel about our economy, but it can go a long way toward solving these problems and easing those fears.

Even better, NAFTA is going to make us more competitive in global markets. NAFTA is the first step toward solidifying our trading position in Latin America.

An incredible change has taken place in Mexico. All my life I heard Mexican politicians running against the United States, the colossus of the north, those gringos north of the Rio Bravo, and winning by that. A change in attitude has taken place.

First, de la Madrid took them into GATT. Now to watch Salinas standing on the shoulders of de la Madrid, bringing down those tariffs, opening up markets, seeing it happen throughout Latin America, there is an economic revolution that is taking place down there. We ought to be taking advantage of it, be a part of it.

I think NAFTA is an integral part of our domestic economic agenda, a key element of our international agenda to create jobs through opening up markets through reciprocity.

NAFTA is going to make us more competitive in global markets and the first step in solidifying our trading position throughout Latin America. Trade is a way of life for this country of ours. One in eight U.S. jobs depends directly on trade.

That is why I wonder, when I hear talk about passing up the chance to increase exports and open markets, I don't know of a time when less trade meant more jobs and more prosperity for Americans. The idea that we cannot compete, that we turn inward, I cannot accept it.

Many of you by now are familiar with the figures. Since Mexico began dropping its trade barriers, we have seen our position go from a deficit of almost \$6 billion in trade to well over \$5.5 billion surplus, while we continue to have an enormous deficit in other parts of the world.

We picked up—based on the 300,000 jobs we did have dependent on Mexico, we picked up another 400,000. Now some 700,000 Americans depend on trade with Mexico for their livelihood. Things will get better with NAFTA. We anticipate in 2 years another 200,000 jobs.

I think one of the other things that is important is the fact that those export jobs pay about 12 percent more than other jobs.

One of the primary benefits of this is that it levels out sharply a field that is tilted against us. With NAFTA, Mexico is dropping tariffs 2.5 times the size of ours and average 10 percent to our 4 percent. You have to remember this: Those tariffs in the past have been 100 percent; they have been 50 percent; you have had non-tariff barriers. That is the sort of thing that we are beginning to eliminate.

When people talk about these jobs going south, now the Big Three went south. One of the primary reasons for that was not cheap wages but because they built protectionism around Mexico and you couldn't sell in that Mexican market unless you were down there producing. And even now, if you want to sell a car to Mexico, you have to buy two from them. If you want to sell \$10,000 worth of automobile parts in Mexico, you have to buy \$20,000 from them in addition to the nontariff barriers. That is the sort of thing that we are getting rid of in this type of situation.

And these tariff cuts, they are just for us and Canada. They are not for the Europeans who have built themselves an European

Common Market to give advantage to their trading partners within that. They are not for Japan. They give us a further competitive edge against that kind of competition.

What happens if you reject NAFTA? You can bet that Japan, with very able traders and competitors, will be banging on that door; and so will the Europeans. They will have their order books out. And Salinas will decide that America cannot take yes for an answer. Where will we be? While we are retreating behind the wall of protectionism, we will be losing orders. That is a shame.

Because the Mexicans do not just like American goods, they love U.S. products. Seventy percent of their imports now come from the United States of America. We can't give up that kind of an edge.

The fastest growing market in the world today is Asia; Secretary Christopher talked about the meeting with APEC countries. We ought to be involved. We are part of that. But there is no question but what the Japanese and the increasing Chinese economy have an edge on us there.

The second fastest growing area in the world today is not Europe but Latin America. And we have the edge there. Go down to Chile. Look at what has happened there with Alejandro Foxley as Finance Minister, Aylwin as the President, privatizing. Go down to Argentina. Can you imagine a Peronista who would privatize and open up markets, and get down inflation that way? With Cavallo, a brilliant economist, helping counsel him?

Those are things that are happening throughout Latin America. We certainly ought to be a part of it.

I don't think there is an American that wants to see the United States left behind in this. As you know, President Clinton wanted to make this agreement better, so the administration negotiated two side agreements, one on labor issues and one on the environment. I want to spend a minute on those two.

The labor side agreement offers us a precedent-setting way to keep Mexico moving forward in the enforcement of its labor laws and standards. Many people do not realize that Mexico has good, strong labor laws but enforcement has been a problem. Mexico has made a commitment to enforce its laws with far stronger actions and to publish its laws and regulations for all to see.

When people know their rights, and there is a well-publicized commitment to enforce those rights, Mexicans and Mexico will demand that those rights be observed. The side agreements consultation procedures and disputes settlement process and key worker standards guarantee we will know of any failure to enforce Mexican labor laws, and we will be able to take meaningful action.

I would remind this committee that without NAFTA, the side agreements will not exist. If we lose NAFTA, we lose the framework to move Mexico forward on the labor front.

Over and above that, on our side, we are phasing in our tariff cuts so that our industries that might feel some impact from NAFTA will have time to adjust. We are also committed to a solid package of worker adjustment assistance to make certain that workers who are affected get help.

I know the importance of safe drinking water having been reared on that Rio Grande. I have seen the situation with 26 million gallons of raw sewage a day coming out of plants in Nuevo Laredo,

flowing down, affecting both sides of that border. I know the problem of adequate waste treatment and solid waste disposal.

Right now there are hundreds of thousands of households on both sides of that border that lack those basic needs. We have created a financing mechanism—at very little out-of-pocket cost to either us or the Mexicans, I might add—that will take on this problem. We call it the North American Development Bank, or NADBank. Ninety percent of what it lends will go for environmental projects. The remainder will be available for community adjustment and investment in communities which are affected by NAFTA. I want to emphasize that the NADBank will depend heavily on private sector financing of border projects.

We and the Mexicans will each put up \$225 million spread over 5 years. We originally proposed this because the difference in the size of the economies, that we do 85 percent and they do 15 percent; but people up here in the Congress said that will not float, it has to be 50/50. That is the way we have set it up. And that can be leveraged into \$2 billion to \$3 billion in financing. When combined with ongoing financing mechanisms, this approach can help generate up to \$8 billion, thus cleaning up that border.

Further, we have provided for an unprecedented level of community involvement and overseeing environmental work.

Finally, let me point out what NAFTA means to us in terms of our global economic strategy. The fact of the matter is that, in the international trading arena, we compete with Japan and with Europe. Japan and Europe have strategies for capitalizing on regional trade. For instance, the EC is in the final stages of creating a \$6.4 trillion market of nearly 350 million people. The United States is in a unique position because we can trade with both Atlantic and Pacific trading partners. We have to compete everywhere. But like the EC and Europe, we must have a strategy for our own backyard.

Let me give you an example of how Japan has benefited from the regional strategy. For some time now, Japan has been working on increasing its trade with its closest neighbors. That is a smart move. With their fastest growing markets in the world, why not trade with your closest neighbor? They have turned a market that was \$25 billion or \$30 billion two decades ago into a market worth as much as \$150 billion to them. They and China have the edge in Asia. There is no question about it there.

But Latin America, talking to you about its being the second fastest growing market, it is right next door to us. As I said, we have 700,000 American jobs depending on that trade. I mentioned how much Mexico loves our products. In fact, they have replaced Japan as our second largest customer of manufactured goods. That market is growing. NAFTA will help us unlock its potential. We ought to do everything we can to solidify our position.

If we pass NAFTA; we will get jobs; we will get trade; we will get a stronger, more competitive economy. If we fail to pass it, we fall prey to fears I am absolutely convinced will never materialize. Not only do we lose NAFTA, we also jeopardize the GATT negotiations, deny ourselves the chance to continue leading the way in the Latin American market.

One final point. I saw a study from a very respected independent economic forecasting firm just this week, Wharton, telling us what

happens if we do not pass NAFTA. It had some figures that caught my eye. It said if we do not pass NAFTA, a decade from now, total employment will be half a million lower than what it would be; that manufacturing jobs would be 170,000 lower than what they could be; and that our GDP will be \$43 billion lower. And that works out to \$330 per year less for the average working American.

Thank you, Mr. Chairman.

COULD A BETTER NAFTA BE NEGOTIATED IF THIS IS DEFEATED?

Chairman HAMILTON. Thank you very much, Secretary Bentsen, for a good statement, from both of you, powerful statements.

Let me just begin with a button I have seen around the halls of Congress here in recent days; that is the phrase, "Not This NAFTA."

The implication of that, at least to me, is that those who oppose NAFTA think that they can support another NAFTA of some kind or description.

Could we negotiate a better or another NAFTA if this is defeated?

Secretary BENTSEN. You will not get a chance to because what you have seen in this kind of a situation is a change in attitude by Mexico to look on us not as the colossus of the North but as a trading partner.

When we cannot take "yes" for an answer, you watch them switch, because it didn't work, and see who they pick as candidates to the parties. See who—el ponce del dedo—who they put the finger on. They will pick someone with a different point of view. They will say this didn't work, so let's go encourage the others to come in and make their investments; let's encourage the Japanese, they are effective able competitors.

Chairman HAMILTON. So the prospect of negotiating another NAFTA is minimal. Is that correct?

Secretary BENTSEN. I think it is zilch. I don't think you will get it.

Chairman HAMILTON. Mr. Secretary, one of the criticisms made about NAFTA, of course, is that we are going to be rewarding an antidemocratic corrupt Mexico, a Mexico that abuses human rights.

President Clinton the other day said that NAFTA, on the other hand, is an opportunity for democracy in this hemisphere.

Put this into perspective. Why is it an opportunity for democracy? Why are we not rewarding antidemocratic actions in Mexico if we approve NAFTA?

Secretary CHRISTOPHER. Mr. Chairman, it really depends upon an evaluation as to whether you think the trend has been in the right direction in Mexico in the last several years or not. I feel confident that there has been a trend toward greater democracy, greater respect for human rights in Mexico. There are now three governorships in Mexico held by the opposition party. There is a substantial opposition representative in their parliament. This is a change from earlier days. We may see a very competitive Presidential race this year. I think we want to encourage that trend.

As I say, I think the issue is not whether Mexico is perfect at the present time. The issue is whether or not the passage of NAFTA, the approval of NAFTA, will or will not encourage the

trend which has been in the right direction. I strongly believe that it will. I think it will be a big setback toward the forces of enlightenment in Mexico if NAFTA is turned back. Certainly it will be a major defeat for President Salinas who has moved Mexico in a positive direction.

CONCERN ABOUT LOW MEXICAN WAGES

Chairman HAMILTON. Mr. Secretary, Secretary Bentsen, I think you know, of course, that the key concerns of Americans have about NAFTA is its impact on jobs and wages. Whenever you talk to workers, they conjure up this low wages in Mexico, flooding American markets, all the rest.

How do you respond to these concerns about low Mexican wages?

Secretary BENTSEN. Mr. Chairman, if low wages were the answer, then watch out for Bangladesh, watch out for Haiti.

But you take very sophisticated business people that you have in Germany, and they decide to put the new BMW plant, not in Mexico, but to put it in the United States. Talk about the new Mercedes Benz plant, but in the United States, not in Mexico. When you look at the costs of building an identical car between Mexico and the United States, it costs you \$410 more to build it in Mexico. Why? You have a differential in wages. But wages today, direct wages, are only 8 percent of the costs of building a car in the United States, for example.

What you have is an infrastructure here and a work ethic that makes us the most productive workers in the world. They are world competitors, and they have the advantage over the kind of an infrastructure that you see in Mexico insofar as the roads, the transportation, the railroads, communications.

Chairman HAMILTON. Mr. Leach.

GATT NEGOTIATIONS CONTINGENT ON NAFTA'S PASSAGE

Mr. LEACH. I was appreciative both of you put your statements in the context of other international treaties and negotiations, particularly GATT. Both of you indicated that if NAFTA goes down, GATT becomes more difficult and possibly is in jeopardy.

Most of the information this committee has received from foreign visitors, et cetera, is even more stark; that is, there is a sense that in Europe they want Americans to be more free-trade oriented; if the United States is protectionist in its own hemisphere, that sends a bad signal about our world trade policy.

Coming to the agricultural community, in particular, as you know, many Midwestern agricultural interests are very convinced NAFTA is in their best interests. If NAFTA goes down, that is kind of a whammy at Midwestern agriculture. But it could be a double whammy in the sense that there is a sense that the U.S. position vis-a-vis France in the GATT negotiations could weaken substantially.

Is that a fair assessment, in that you will see American agricultural interests more likely to be sacrificed in the GATT negotiations?

Secretary BENTSEN. Congressman Leach, I certainly think so. If we cannot work out an opening up of markets with our next door neighbor, then it is going to be extremely difficult to sell our point

of view in opening up markets in Europe and in the developing countries around the world.

We have seen our exports to Mexico in agriculture in the last 5 years go from \$1 billion to \$4 billion. We have had a further opening up of those markets offered to us in the NAFTA agreement.

So for us then to try to argue with the French on the Blair Agreement becomes much more difficult.

EVENING THE TRADING FIELD

Mr. LEACH. I appreciate that. I would like to ask a couple of logical questions. It strikes me if Mexico has three times the tariffs that we do and NAFTA reduces them to equality over time, how can we be better off keeping the status quo?

If Mexico has a lot of internal corruption, is it better off with the status quo or better off with open markets with the United States?

Secretary BENTSEN. Let me say what we are talking about is evening the trading field, leveling it. That is where we are headed with this agreement.

Now you have had problems, without a question, concerning some of the corruption in Mexico. We have had a bit ourselves, you know. But I look at a situation where in the case of customs—since Customs comes under Treasury on this side, I can relate to it—I watched him go in there and fire the whole customs force. He brought in a bunch of interns, kept them there about 6 months or so and then turned around and fired the whole customs force and then hired some of them back, one at a time, after he was satisfied with them, and 10 times increased their salaries, 10 times, to guard against corruption. Amazing change in attitude.

Mr. LEACH. I appreciate that. Let me ask just one historical question. Both of you commented, in essence, on the 1930's and the notion that protectionism deepened and lengthened of the Great Depression. That lesson has been commented upon. But it strikes me that isn't there the obverse truth, too? If protectionism deepens and lengthens difficulties in the economy, don't steps toward free trade imply a greater impelling of economic growth? Is that a valid observation? Do you think history doesn't have relevance here?

Secretary BENTSEN. I think what it does, the competition makes us cut out the fat, increase productivity, makes us more competitive. I think what you are seeing in this country, I think we are in the best position to take on the international competition I have seen.

Let me tell you why:

Remember what it used to cost for capital in Japan? You would have bonds at 1 percent, warrants out there for conversion to a stock that was a hundred times earnings. That is what capital was costing them.

Now capital costs them more than our capital costs in this country, and we are becoming much more sensitive to quality products and the cooperation between management and labor here. To do that, one has made us, I think, the toughest competitors in the world today.

Mr. LEACH. Thank you, sir.

Chairman HAMILTON. Mr. Lantos.

Mr. LANTOS. Thank you, Mr. Chairman.

Let me first welcome our two distinguished guests. Let me say, in general, that the country is extremely fortunate to have you two in these two critical positions. You have done an outstanding job, and you have our appreciation.

Secretary CHRISTOPHER. Thank you.

Secretary BENTSEN. Thank you.

DEVELOPING RELATIONS WITH RUSSIA AND REVITALIZING NATO

Mr. LANTOS. As I look around my colleagues, there are plenty of articulate opponents and supporters of NAFTA. I would like to deal with some of the other issues. I would like to deal with some other issue, because it seems to me that the future of our Nation will not be determined by what happens in Haiti or Mogadishu, and it will not even be determined by whether NAFTA wins or loses by the voting on November 17.

But the future of our Nation will depend overwhelmingly on the way we develop our relations with Russia and the way we revitalize NATO. In that connection, Secretary Christopher, let me pay tribute to the President and to you for having handled the main event, U.S.-Russian relations, with extraordinary judgement and great, great sophistication and skill.

On two occasions, at the time of the referendum and most recently at the time of the coup, the President and you have shown great courage and great judgment in coming down without any reservation on the side of the democratic forces in Russia. And my feeling is that these moves will determine, for a long time to come, our relationship with the one remaining large nuclear superpower, Russia. And our ability to work with them will create a framework that will provide some stability in this very turbulent world.

Let me, however, move on to an upcoming issue with respect to Russia. When Ambassador Talbott testified before this committee some time ago, I cautioned him that we should not press Yeltsin to hold Presidential elections yet again. Yeltsin has had two sets of Presidential elections in a very difficult situation. He had the referendum, and he is the first democratically elected President of Russia.

In the last few days, we have heard indications that the Presidential elections that he talked about for next June may be postponed. My understanding is that the parliamentary elections which are coming up in December should determine the timing of the next Presidential election in Russia. And I hope that we will not put pressure on Yeltsin to submit himself yet again, the third time in less than 3 years, to Presidential elections.

I would like to get a reaction from you, Mr. Secretary, on what our view is of when Presidential elections should be held? Are we going to hold him to this June date? Or will we allow the newly elected Russian parliament to determine when those elections should take place?

Secondly, Mr. Secretary, I believe that the basis of a stable world will depend upon the future of NATO. Are we prepared to move gradually and rationally toward expanding NATO, not in a manner which is threatening to Russia but in a manner which makes it clear to them that NATO is now their friend, that there is an opportunity for Russia and NATO, both in its present form and in an

expanded form, to cooperate with Russia to preserve stability, not just in Europe but in many adjoining areas such as the Middle East?

Secretary CHRISTOPHER. Thank you, Mr. Lantos.

With respect to the timing of the Presidential election in Russia, I think it is important to realize two things: First, the constitution that has been proposed by President Yeltsin would provide that his term as President continues until 1996, which was his current present term.

Mr. LANTOS. That is right.

Secretary CHRISTOPHER. But it also provides, Mr. Lantos, that the parliament is authorized and permitted to establish an earlier date for the Presidential election.

It is my judgment that that is a healthy way to have it, that President Yeltsin has indicated his willingness to stand again next June if the parliament wants him to do so. But I think that, from the standpoint of the United States' relations with Russia, our interest, we ought to be focusing on the two major events that are coming up this December, that is the election of the parliament and the approval of the constitution.

That is what is before us right now. And that is what is important. I think the way that the Presidential election date has been handled is a satisfactory one from our standpoint. That is the constitutional provision, but with the authorization of the Congress—the parliament, I should say, to establish an earlier date if they wish, perhaps next June.

On the other question, Mr. Lantos, I certainly agree with the thrust of your question. The United States—after a good deal of thought, the President has put forward the concept of an evolutionary expansion of NATO, the prospect that NATO can be expanded over time with no one excluded from consideration.

President Clinton calls this the offer of a partnership for peace which is going to be put before the NATO summit, which he has called for next January. This partnership for peace would be an inclusive enterprise, not exclusive. It would offer this opportunity of a partnership for any of the members of the North Atlantic Cooperation Council, give them an opportunity to develop habits of cooperation, train together, to plan together in Brussels. I think that that is a very sound way to approach this matter, not to single out a block of countries and say you are coming in first, which I think would be—I think the Russians would find that to be a very threatening concept.

I am very glad to tell you when I met with President Yeltsin in Moscow about 10 days ago, I outlined this partnership for peace concept to him. He was very impressed with its soundness. He said we will certainly work with that. We think it is a proper concept.

I think I am agreeing with the thrust of your question, Mr. Lantos. We ought to provide for an evolutionary expansion of NATO but in a way that we can test the cooperation of countries as they begin to work in this partnership with the NATO countries.

Mr. LANTOS. Mr. Secretary, let me just say I am delighted to hear your response. And let me commend you and the President for keeping your eyes on the main event, which is the building of a new structure of collective security following the collapse of the So-

viet Union. And you should not allow yourself to be sidetracked into totally secondary side issues.

Secretary CHRISTOPHER. Thank you very much.

Chairman HAMILTON. The Chair recognizes Mr. Leach for a unanimous consent request.

Mr. LEACH. Mr. Secretary, I would like to ask unanimous consent at the time of the opening statements a statement by Don Manzullo be inserted in the record in support of the NAFTA agreement.

Chairman HAMILTON. Without objection.

[The prepared statement of Mr. Manzullo appears in the appendix.]

Mr. Smith.

JOB LOSS AS A RESULT OF NAFTA AND MFN FOR CHINA

Mr. SMITH. Mr. Chairman, the administration properly rejects the notion that U.S. workers can effectively compete with Mexican workers, I believe, on a fair playing field. I know Secretary Bentsen echoed this. U.S. workers can and do, indeed, out work, out produce, anyone in the world. I think we are very fortunate in this Nation that this is the case.

I think the issue of productivity, the caliber of the U.S. work force is not an issue at all. To raise it in this debate is somewhat diversionary. The issue of concern is the impact, the magnetic impact that a \$1-an-hour wage has on U.S. corporations, Japanese corporations, German corporations, and others who would locate their plants south of the border.

You know, there are two studies that come to mind. Recently Chairman Obey of the Joint Economic Committee, on October 25, issued a report in which he said the Joint Economic Committee report concludes that even with all of their limitations, a fair assessment of the studies finds potential negative impacts from NAFTA.

Specifically, the Joint Economic Committee record finds there can be potentially significant gross job dislocations of 500,000 or more over a period of 5 to 10 years. The AFL-CIO, in one of their task force reports, points out that several economic studies that account for increased capital flows to Mexico, project a net job loss in the United States of as many as 550,000 jobs over the long term as a result of NAFTA.

More importantly, all economic studies show significant and additional job dislocation resulting from NAFTA.

My question—and I have two questions, the first one being to Secretary Bentsen: Do you agree with that 500,000 job loss figure in terms of dislocation, people losing their jobs in a way directly attributable to NAFTA?

Exactly what does the administration want to do to try to help those people? I have a number of people in my district who have been in manufacturing jobs the entirety of their life working in auto parts, working in other manufacturing jobs, highly paid, good jobs who are in their 50's who, when they come and talk to me and say, Chris, what am I going to do? Where do I go now? How do I get retraining? Where will these so-called new jobs be in our State or perhaps anywhere else?

My second question is to Secretary Christopher, picking up on what Mr. Rohrabacher pointed out, which I do seldom get the opportunity, in this kind of forum to address you.

Mr. Lantos and I, Mr. Markey, Mr. Wolf, recently issued a report card on the issue of MFN for China on a whole host of issues, the human rights issue, the fact that gulag labor continues unabated, U.S. attempts to get into these gulags for on-site inspections to verify or dispute whether or not they are using political prisoners and human rights activists to produce these materials for export to the United States have been rebuffed by the Chinese.

In every category, whether it is population control, and the continued unabated use of forced abortion in China, that is one of the criteria I know for MFN. You look at other areas of human rights, religious repression, house-church Protestants are thrown into the gulags, Catholic bishops. Occasionally a few are let out for purposes of international appeasement.

If you could, Mr. Christopher, MFN is obviously something that will be very intensely looked at next year. Mr. Markey made a very eloquent statement in regards to the nuclear proliferation issue, that if MFN were coming up today for renewal, they would lose on that point alone. They have certainly not lived up to hopes and perhaps some expectations.

On those two issues, if you distinguished gentlemen could answer?

Secretary BENTSEN. Mr. Smith, you addressed the first question to me. Let me say, absolutely not; we do not agree with those numbers.

Let me further state the Congressional Budget Office has also concluded there will be little short run displacement of American workers after the implementation of NAFTA. We do not believe that there will be a significant number of jobs that are lost because of a short run increase in imports from Mexico, that that will be insignificant. We believe job displacement, because of increases in Mexican imports, will be quite small.

Secretary CHRISTOPHER. Mr. Smith, with respect to China, as you know, the President continued MFN for China for a year; but he said that it would be reviewed at the end of the year and would not be continued unless there was significant overall progress in the field of human rights. That is a condition that I take very seriously as, of course, does the President.

Frankly, the progress in the first 3 months has been disappointing to us. I have mentioned that to my colleagues in the Chinese Government. I have told them that this is a matter that cannot be addressed only next April or May; it needs to be addressed throughout the year. Congress is watching this matter. I think unless we have a substantial improvement, we will not be in a position to recommend a continuation of MFN.

One possibly positive sign is that the Chinese have permitted our Assistant Secretary for Human Rights to come to China. He was able to make his points, but we are still waiting for action on their part. And it is a condition that we take very seriously and will be weighing as we go through the year.

There will be some opportunities for us to make this point at the very highest levels. As you know, one of the great advantages of

President Clinton's idea of inviting all the heads of government to come to Seattle for an extra day of the APEC meeting is he will have an opportunity to meet with President Jiang Zemin of China, and I will be meeting with the foreign minister. You can be sure we will be addressing this point forcefully, trying to tell them what is in their own self-interests.

I understand the feeling of the Congress on this subject. MFN is specifically conditioned on improvement in human rights. But we will also have to weigh the other aspect of our relationship, proliferation and trade.

Chairman HAMILTON. Mr. McCloskey.

STATEMENT BY HON. FRANK MCCLOSKEY ON BOSNIA

Mr. MCCLOSKEY. Thank you very much, Mr. Chairman. I would like to take a cue from Congressman Lantos and take the liberty to bring up another subject.

As Secretary Christopher may know, I do have a special concern, as I am sure many of us do, about Bosnia and the Balkans.

I would like to express that concern in a statement for the record.

My concern can be best capsulized, Mr. Secretary, in the reports in today's *Washington Post* and *New York Times*, in articles by Elaine Sciolino and Daniel Williams. To paraphrase Dan Williams, the Secretary, Bosnia did not make your foreign policy "priority cut" yesterday. Given your own noble and particularly forthright concern over Bosnia earlier this year, on this, I just find this particularly saddening.

So, Mr. Chairman, I'll be my statement. On February 10, 3 weeks after President Clinton took office Secretary Christopher stated that this administration had to address the circumstances as it found them in Bosnia. He further stated that the administration was resolved to do so. Just last month, however, he said the administration inherited the problem.

Also on February 10, Secretary Christopher stated that the United States has "direct strategic concerns" in Bosnia, including the destruction of a U.N.-member state by force, setting an example for would be dictators and fearful minorities all over the world, and preventing a greater Balkan or pan-European war.

When I heard those remarks, I was proud of my President and proud of this administration, proud of Mr. Christopher, and proud of my country. Unfortunately, the administration soon began an about-face that, while slower and more convoluted than the ones in Haiti and Somalia, was even more shameful.

Through the rest of the winter and spring of this year, the Bosnian-Serbs and their backers carried out the worst and bloodiest offense of their terrorist campaign by ethnically cleansing hundreds of thousands of innocent civilians from eastern Bosnia.

In the first week in May, after President Clinton decided to pursue the "lift and strike" option in Bosnia, Secretary Christopher, however valiant his efforts to persuade our allies may have been, returned from Europe empty handed. Rather than pushing the issue at that point, however, the administration did the opposite. It acquiesced to European objections to allowing Bosnians to defend themselves. It signed on to the Joint Action Program, a meaning-

less plan which called for "safe areas" that we all know—and 2 weeks ago, I was this first-hand in Sarajevo—are not safe to this day. In fact, 50 years after Buchenwald and Auchwitz, there are giant concentration camps in the heart of Europe.

On June 29, because the United States declined to lobby on its behalf, the nonaligned countries' draft resolution to lift the arms embargo failed in the U.N. Security Council.

On July 21, Secretary Christopher said this administration was doing all it could in Bosnia consistent with our national interests. The very next day, consistent with that statement, the Serbs launched one of their largest attacks ever in the 17-month-old siege of Sarajevo.

Last month, the Serbs resumed their shelling of Sarajevo and killed dozens more innocent civilians. Bosnian-Serb terrorist leaders were quoted in the *New York Times* as saying "they renewed their bloody attacks because they knew that after American fiascoes in Haiti and Somalia, the Clinton administration would not respond." They were right.

Our only response was another warning to Milosevic. We have been warning these people, Mr. Secretary, for nearly 2 years. And I guess I appreciate your warnings; but I would like to see some effect at some point. Unlike the shells raining down on men, women, and children in the Bosnian capital, those warnings ring absolutely hollow.

Even now, we will not lift the sieges—and I think this is very important to U.S. and the U.N.—we will not admit there is a siege and take the necessary steps which would include opening Tuzla airport—to prevent people from starving this winter.

All of these things happened or are happening on Secretary Christopher's watch. The situation in Bosnia stopped being an inherited problem in January 1993. Since then, several hundred thousand Bosnians have been driven out of the country or into internal exile. Thousands of innocent civilians have been murdered, and tens of thousands of ill-equipped Bosnian soldiers have been killed because we won't arm them. Thousands more women have been raped as a systematic campaign by the Bosnian Serbs.

The administration continues to profess that it wants a negotiated solution to this war of aggression, even if it means dismembering the sovereign, U.N.-member state of Bosnia.

It also says that this is a tragic, complex situation with no easy answers. We all want a negotiated solution. We all know perfectly well that it is tragic and that nothing will come easy in addressing the crisis. But these are just empty posturings in this administration's grievously inadequate foreign policy. Hundreds of thousands of lives hang in the balance as we fatuously say, "We support the enlargement of democracies," and do little more.

Genocide is taking place in Bosnia. Mr. Christopher knows this, but he won't say so. On at least two occasions of which I am aware, State Department lawyers and representatives of other relevant bureaus have recommended he state this publicly. But we still do not have an answer. That request was first made publicly by me in writing about 200 days ago.

Mr. Chairman, I will not go on. I appreciate the time allotted to me. But when the history books are written, we cannot say that we

allowed genocide because health care was a priority; we cannot say that we allowed genocide because the American people were more concerned with domestic issues. History will record, Mr. Secretary, that this happened on our watch, on your watch; that you, the administration, could and should have done more.

I plead to you, there are hundreds of thousands of people that still can die. There are people in Sarajevo being besieged. One weekend, about 10 days ago, some 2,000 to 3,000 shells struck the city.

Mr. LANTOS. Will the gentleman yield?

Mr. McCLOSKEY. One moment. The situation is even worse, as you know, Mr. Secretary, in the outer areas of Bosnia. We have to do something. Winter is approaching. This is November 5. I plead for you and the administration to take a more aggressive interest in this.

Thank you very much, Mr. Chairman.

Mr. LANTOS. Will the gentleman yield?

Chairman HAMILTON. The time of the gentleman has expired.

The Secretary should respond.

Secretary CHRISTOPHER. Mr. McCloskey, you and I have a fundamental difference of opinion on this subject. At rock bottom, you would be willing to put hundreds of thousands of American troops into Bosnia to compel a settlement satisfactory to the Bosnian Government. I would not do so. I don't think our vital interests are sufficiently involved to do so.

I don't see any point in our debating this subject further. You and I have discussed it several times in this forum. We have that fundamental difference of opinion. I do not believe we should put hundreds of thousands of troops into Bosnia in order to compel a settlement.

I will go on to say, Mr. McCloskey, it seems to me your very strong feelings on this subject have affected adversely your judgment on other matters.

Mr. McCLOSKEY. I have a right to reply.

Chairman HAMILTON. Mr. Rohrabacher.

DEPARTMENT OF COMMERCE ROLE ON FREE TRADE WITH MEXICO

Mr. ROHRABACHER. Mr. Secretary, not to belabor the point I made at the beginning, but if you were here more often, there would be a better chance for an exchange like this. These type of exchanges, the American people deserve to hear that. We discussed it with you once at this forum. We heard today discussions on Russia. We heard today discussions on the MFN status with China. We need to see you here more often so the American people can hear the dialogue and make up their own minds rather than having the type of exchange we just did.

With that stated, when we talk about most favored nation status for China, it emphasizes again the relationship between economics, as we have with Secretary Bentsen here today, again emphasizes we have economics and diplomacy going hand in hand.

What I would like to ask you is: What role does the Department of Commerce play in this issue today? Does the Department of Commerce play a major role in this whole issue of free trade with Mexico?

Secretary BENTSEN. Yes, they are. They are playing a substantial role. The Secretary of Commerce had his involvement in it also. Obviously, we have a trade Ambassador. He supplies the lead role.

ROLE SECRETARY BROWN PLAYED IN EASING EMBARGO ON VIETNAM

Mr. ROHRABACHER. What role did Secretary Brown—I ask this to Secretary Christopher: What role did Secretary Brown, the Secretary of Commerce, play in the decision leading to the easing of the embargo on Vietnam?

Secretary CHRISTOPHER. None at all, as far as I know. I don't remember his involvements at all. There have been—we have taken—the President has taken two decisions with respect to Vietnam this year. I don't recall Mr. Brown's involvement in those decisions.

Mr. ROHRABACHER. Have you ever heard a conversation since the election of 1992—a conversation or communication in any form from Secretary Brown concerning the easing of the embargo on Vietnam?

Secretary CHRISTOPHER. Not that I recall. I think I would recall if I had that conversation.

Mr. ROHRABACHER. Why do you believe an issue of such importance as this, a major economic decision by the administration, that the Secretary of Commerce played no role whatsoever in that decision?

Secretary CHRISTOPHER. Essentially, this is a decision that is focused on the question of POW's and MIA's. The President made it clear that he does not want to proceed with respect to any kind of more normal relations with Vietnam until he is satisfied that there has been——

Mr. ROHRABACHER. The economic considerations on our domestic economy are not a factor in whether or not we are going to lift the embargo on Vietnam?

Secretary CHRISTOPHER. Mr. Rohrabacher, the President indicated on this one issue that until there is an acceptable performance on POW's and MIA's, he will not proceed to normalize relationships.

This is one issue where his strong feeling about POW's and MIA's and the families that care about them is overriding in his mind.

Mr. ROHRABACHER. The economic—really, frankly, it strains credibility to suggest that economic considerations of what lifting a major trade embargo would have on the United States, that that domestic consideration is not even part of the process.

Secretary CHRISTOPHER. Well, they certainly have been part of the process. The President has simply decided to give priority to, at this stage, seeking assurance on the other. Secretary Bentsen has been in the meetings where I had, as well. Certainly, the economic case has been presented. But the President is determined to get satisfactory compliance with respect to the POW's and MIA's.

I must say the Government of Vietnam seems to be cooperative on this subject at the present time.

Mr. ROHRABACHER. Secretary Bentsen has been part of the decisionmaking, but Secretary of Commerce Brown has not. And that

leads to question of why the Secretary of Commerce has not been part of these discussions.

Let me also add at this point, because I have less than a minute, that I am disturbed that the human rights component of the decisionmaking is not as large a component of the decisionmaking process as well as our economic considerations in dealing with Vietnam on other issues like most favored nation status with China like our relationships and the decisions we have to make about Bosnia.

These things are not human rights components—is not that—going to be a part of the decisionmaking process. Excuse me. I am not being very articulate here.

I think human rights should play a higher priority. I don't believe in the Vietnam decision, that human rights and the human rights of the people of Vietnam, the political prisoners there, has played any role at all.

Now you are telling me the domestic role in terms of how this will affect our domestic economy has played very little part of the decisionmaking process of this very important decision.

Secretary CHRISTOPHER. Let me say two things. First, human rights are always a consideration and always will be as far as I am concerned, but it is only one part of the equation. You have to take into account our overall strategic interests as well.

I can assure you there is a very strong advocacy for human rights on all of these issues. Let me say again what I said in connection with the normalization of our relationships with Vietnam or lifting the embargo. I do not recall, myself, Secretary Brown's having played any role in connection with the decisions in those matters.

Now, the Commerce Department clearly does have an interest in increasing trade with Vietnam. The President happens to, in this case, have decided that primacy would be given to the POW and MIA issues.

Perhaps Secretary Bentsen would answer in a different way. I just happen to say that, from my own recollection, this matter has been handled in terms of diplomatic issues. I met with the leaders of Vietnam and encouraged them to improve their performance on POW's and MIA's as a way to lead to a possible lifting of the embargo.

I would like to give Secretary Bentsen an opportunity to respond because he would have seen this thing from the economic side of the case.

Secretary BENTSEN. Well, I think you stated the President's views very well, Mr. Secretary.

Mr. ROHRBACHER. Secretary Bentsen, did you ever have a conversation or communication of any kind with Secretary Brown concerning lifting the embargo on Vietnam since the election of 1992?

Secretary BENTSEN. I am trying to think back.

I don't recall any communication. I think I have spoken on the point of the importance of trade to him and what competing nations are doing.

Mr. ROHRBACHER. The subject of Vietnam never came up?

Secretary BENTSEN. That is just what I am talking about.

Mr. ROHRBACHER. So you did have a conversation?

Secretary BENTSEN. The importance of trade in Vietnam. I don't remember the details of it; but that I did speak on the point of the French and the Japanese developing markets there, and our difficulty in doing so. I did that.

Mr. ROHRABACHER. What was his reaction?

Secretary BENTSEN. I wouldn't try to detail his reaction. It was a very limited conversation. I think he acknowledged my concern insofar as the competition, what they had been able to do there. But it was quite a limited conversation.

Mr. ROHRABACHER. Did Secretary Brown indicate support on his side for the easing of the embargo on Vietnam?

Secretary BENTSEN. No. I cannot say that.

Chairman HAMILTON. Mr. Brown.

Secretary CHRISTOPHER. Mr. Chairman, may I add?

Chairman HAMILTON. Certainly.

Secretary CHRISTOPHER. I want to be very careful. My credibility, my word, is very important to me.

I cannot be positive that Mr. Brown was not in a large meeting that I might have attended on Vietnam. I will let you know if that turns out to be the case. I don't remember his ever having made a point about this. I would tell you if I did.

This has been—this issue has been discussed in diplomatic terms but primarily in terms of the POW's and MIA's. I want to be sure my credibility is in good stead with you. I will let you know.

Mr. ROHRABACHER. So we leave this with Secretary Bentsen having had a conversation about the embargo in some way.

Secretary BENTSEN. Very limited conversation.

Mr. ROHRABACHER. Very limited conversation. And Secretary Christopher suggesting that Secretary Brown may well have been in some meetings, but he is not sure.

Secretary CHRISTOPHER. But I don't remember his—any conversation with him about the subject. I don't remember him making a point. He may have been in larger meetings on the subject. I wouldn't rule that out.

Chairman HAMILTON. Mr. Brown.

Mr. BROWN. Mr. Chairman, I yield 30 seconds of my time to my friend from Indiana, Mr. McCloskey.

BOSNIA

Mr. MCCLOSKEY. I just want a brief space in the record, Mr. Chairman, to point out that Secretary Christopher well knows I have basically, from day one, supported the administration's preferred Bosnia policy options as to lift the arms embargo and launch air strikes. Obviously, I wish the administration's efforts were more successful. I have never called for or endorsed ground troops, not to mention hundreds of thousands of troops, as Christopher has claimed.

It is important to me that the record reflect this.

I yield back my time.

HUMAN RIGHTS RECORD IN MEXICO

Mr. BROWN. Secretary Christopher, let's try a novel approach and talk about the North American Free Trade Agreement. I would like to talk about your free trade pact with the government that

decidedly is not very free. I would expect you to say things are getting better in human rights in Mexico. You would expect me, as an opponent of this agreement, to say things are not getting better with human rights in Mexico.

Let's listen for a moment to a couple of groups I know you have a great deal of respect for. Amnesty International stated, the bottom line in Mexico is the persistence of human rights violations and the persistence of impunity for human rights violators.

In our assessment, human rights violations persist in large numbers, and impunity for human rights abusers continues to be the norm rather than the exception.

America's Watch, another human rights—respected human rights group, said, violations of core political rights, freedom of expression, freedom of association, freedom of assembly, and the right to vote are pervasive problem in Mexico.

Amnesty International asked rhetorically where are the public pronouncements in the Clinton administration on the current human rights situation in Mexico.

Going even further, Ambassador Jones recently in Investors' Business Daily, heaped praise on the Salinas regime and its record of democracy.

You spoke about a favorable trend. You said, do not look at what is going on in Mexico but look at the trend in Mexico with human rights. I ask you, is a favorable trend when 28 journalists have been murdered during the Salinas regime? There were 33 murdered in its predecessors. So maybe things are slightly better. The murders of labor leaders that have taken place during the Salinas regime? The assassination of PRI political opponents that have taken place during the Salinas rule?

Is it a favorable trend that never has a government official or police official been indicted and convicted under—during the Salinas rule? In fact, Amnesty International said not one police officer has ever been convicted under a 1986 Federal law to prevent and punish torture, not in its original version or the modified version.

Is it a favorable trend when this ruling party has been in power for six decades, yet only 3 out of 64 members of parliament belong to an opposition party? I gather that is better than the conservatives in the Canadian parliament, but 3 out of 63 isn't too impressive.

The Salinas government refused to allow monitoring of elections in 1994 in spite of what happened in the 1988 elections when many people think the election was stolen. Salinas called on wealthy business people to contribute \$25,000 each to his party. Televisa, from which 90 percent of Americans get their news, wanted to get \$75 million to Salinas' party. And when Senator Hollings conducted his hearing, had discussions with the Mexican people during that time, Hollings was cutoff by the television station. No one in this government, no one in the administration—the CIA can speak out about Aristide in Haiti but will not speak out about Salinas.

If the CIA will not talk to Congress about Salinas and any of those political problems, those political problems, those murders, will not say whether there is a link between Salinas and those murders. The administration will not talk to the American people about that same issue.

You are asking us, you are saying, the administration over and over, says that we need NAFTA to lock in the economic reforms in Mexico. Does that mean that NAFTA will lock in the current corrupt political structure in Mexico? Why don't you tell the American people a little more about Salinas. And if you, in fact, know of evidence linking Salinas with any of this, why Salinas is not trying to stop it? Why Salinas—why there has been no punishment of government officials or of police officials in Mexico for these kinds of human rights violations and these kinds of murders?

Secretary CHRISTOPHER. Mr. Chairman, the questions to me today seem to be fairly uniformly in the form of speeches. This was another one.

I would simply respond by saying that Mexico has created a National Commission on Human Rights which is proceeding to try to achieve improvements in this area. There have been significant electoral reform.

I said, 12 of the 15—12 to 15 million people are now governed by the opposition party. 180 of the 500 members of the lower house of the parliament are now opposition members. There are reforms taking place in Mexico. There are also reforms in the judiciary which is formally independent but has lacked independence in the past.

I have never made a case that this was a perfect system. There are certainly abuses. But I do feel strongly that the trend is in the right direction.

None of the statements that you read, Congressman, I think were—

Mr. BROWN. I didn't read statements. I was talking. That's all right.

Secretary CHRISTOPHER. I didn't mean to—I knew you were talking. The statements you attributed to Amnesty and other organizations I think were not comparative as to the past. They were descriptive as to the present.

The point I was making is that I think our judgment, the judgment of our human rights officers in the State Department, is that the trend is positive. I think that positive trend will be encouraged rather than discouraged by the approval of NAFTA.

Chairman HAMILTON. Mr. Menendez.

Mr. BROWN. Mr. Chairman, may I follow up briefly?

This is no speech.

Chairman HAMILTON. Mr. Brown, we have a number of members that have not had an opportunity to question. The Chair has been very lenient on the amount of time he has permitted members, including yourself.

Let me go to the next member, who has not had an opportunity, and I will try to get back to you.

Mr. Menendez.

FAST TRACK AUTHORIZATION

Mr. MENENDEZ. Thank you, Mr. Chairman.

Good morning, Secretary Christopher, Secretary Bentsen.

Secretary Christopher, I have a very deep respect for you and your work, but I honestly am disturbed by your presentation today in terms of the NAFTA issue.

I am disturbed because, as I hear your presentation and read it, it seems to set up those who would be against NAFTA for very valid reasons to put them in a position or try to paint them in a position of being responsible for difficulties with Mexico, difficulties with our Latin American brothers and sisters.

In fact, to paint such a scenario would, in the future, really pose a very difficult question in my mind of granting fast-track authorization because what, in essence, seems to have been done here is you get fast-track authorization, no amendments possible, and then you portray all of the reasons—GATT, our relationships with Mexico, our relationships with Latin America—as undermining the President's hand. Well, when you do all those things, in essence, what you have painted is a scenario in which one cannot win. Members who disagree cannot win.

So maybe we should not be granting fast-track authorization in the future for other rounds like this, because the way that it has been painted is very, very, alarming.

HUMAN RIGHTS IN MEXICO

Secondly, on the issue of human rights, which, Mr. Secretary, I have time and time again taken to heart your original presentation before this committee which said there are three pillars of foreign diplomacy under this administration. One of them is human rights.

Now if there are three pillars, I assume when one of them collapses, the other two, to a large degree, do as well.

I said it is only part of the equation. Yet the fact of the matter is that in Mexico, we have a situation in which—and you didn't say this—but the inference is that human rights will suffer if there is no NAFTA.

What a terrible idea that human rights in Mexico will suffer if there is no action on NAFTA. It should be proceeding forward whether there is or is not a NAFTA.

With reference to the idea that there is electoral reform, let me quote Andrew Redding, Director of the North American project of the World Policy Institute, who has a different view of electoral reform in Mexico, basically, saying, what it is doing is providing a semblance of pluralism while actually reinforcing one-party rule.

He goes through a description here I went through with your Assistant Secretary for Human Rights. Basically, where the PRI has prevailed, President prevails, one way or the other—ensuring his partisans a greater than 2-to-1 majority on the council and complete control of the electoral bureaucracy.

I think what is even more important is the experience of Secretary Bentsen.

I admire his frankness. In response to the chairman's question of, whether we can we negotiate another NAFTA, Secretary Bentsen said, well, just see what the PRI does. "A quien se le pone el dedo." That means at whom are they going to point the finger?

Choose. Not the public, not the people of Mexico. A quien se le pone el dedo. Who are they going to choose, to point the finger at, to be the next President of Mexico? That is some statement. A true one.

I personally agree with Secretary Bentsen. They will by finger choose who will be the next President of Mexico. That, to me, is not

the embodiment of that pillar of foreign policy in this administration in which we say that we want to promote democracy and human rights.

Let me address the concerns those who say we should not be talking about this as it relates to a trade agreement. The EC made certain thresholds for countries to be able to come in: democracy, human rights, labor standards. All of those were thresholds that had to be included before you got the key to the club.

It is appropriate NAFTA will come before the Congress at Thanksgiving. In my view, it is the biggest turkey that has come along in the 10 or 11 months I have been here. I think the best gift we can give the American people on both truly stating our human rights policy and on a whole host of labor issues since this is the Foreign Affairs Committee—I wanted to talk about foreign affairs issues—but on a whole host of labor issues, the best thing we can do is make sure we do not vote for it and give people a reason to be thankful on this Thanksgiving.

Secretary BENTSEN. May I get into the fight just a little bit, Mr. Chairman?

You made a reference to me. That is true. I did say a *quien se le pone el dedo*.

That meant to be a nominee of the party and then submitted to the people in a Presidential election.

Let me further state that I think that economic issues and political issues can go side-by-side in the way of reform.

I think what you are doing in this situation, as you develop this kind of economic alliance, is that you are helping build a middle-class in Mexico. They want these reforms. They will be able to push toward those reforms. I think that assists it.

I see the Mexican Government doing an unprecedented thing for them: Spending \$1 billion on a voter identification system. I have seen President Salinas reverse a long-standing policy against allowing foreign groups to conduct exit polls. So there are changes taking place.

Mr. Secretary.

FOREIGN POLICY IMPLICATIONS IF NAFTA FAILS

Secretary CHRISTOPHER. Congressman, let me reply to the first part of your comments.

My job is to try to help protect the vital interests of the American people. I took an oath to do that. When I come up here to testify, I have that in mind.

We are where we are, and I told you, with as much sincerity as I can muster, that I think the rejection of NAFTA would have an adverse effect on American interests, would affect our relations with Mexico, would affect our relations with Latin America, would affect our credibility in the world as a whole, and are a step back toward isolationism.

That is part of my job, to tell you what I think about that. I am not trying to frighten anybody. I am certain nobody who is elected to Congress, as you were, would not understand that arguments are made pro and con. But it is my job to tell you what I think about that. I think it would have a very adverse effect on our foreign relations and would be a bad thing for the United States.

I think, on the other question that you asked, I have been asked and answered that a couple of times. I think we probably ought to get on with the discussion.

Chairman HAMILTON. I might say to my colleagues here, I understand the Secretaries have to leave at 12:00 noon. We have three other members that have not participated. We want to give them the opportunity to do so.

Mr. Payne.

FOREIGN POLICY IMPLICATIONS OF APPROVING NAFTA

Mr. PAYNE. Thank you very much. I think that this debate does seem to be more foreign policy than economics.

As a matter of fact, in a recent *Foreign Affairs*, November–December 1993 issue, it talks about the NAFTA debate. “The Uncomfortable Truth About NAFTA: Is Foreign Policy Stupid?” Is the name of the article by Paul Kruegman.

I do think that, when we hear about five reasons that we came to hear about, why we should adopt NAFTA; but as my colleague that preceded me mentioned, the whole speech by our Secretary talked about what happens with the rejection. It was almost surprising to me because I was looking at what happens if we approve it.

But I just wanted to say very quickly that the question of wages is something that is disturbing to us, those of us who live in inner cities. We have seen the erosion of jobs, especially in the Northeast. They go away, continue to go away; and we see no way NAFTA will have any way of turning that around. You say they will bring in high-skilled jobs in the future, and that will be positive for the United States.

But when our only policy in the United States currently is a \$20 billion approval, last night in the U.S. Senate, to build a whole lot of new jails and more policemen rather than dealing with some of the root causes of violence in this country, we could build 40, \$100 billion worth of jails. That will not solve the problem.

We do not have anyone talking about substandard housing, poor education, and the lack of job opportunities in inner cities.

It is foolish just to continue to invest in building more—the crime bill is \$20 billion additional for new policemen and new jails. That is absurd. If we took \$20 billion and tried to change the way the lives of people are, perhaps we could come up with some solutions. But let me just say that higher wages in the United States supports a higher standard of living. Wages in Mexico are held down through government policies.

NAFTA will continue to have a pressure on wages in the United States.

And, secondly, the United States is currently dealing with Mexico with the General Systems of Preference, the GSP, which sets off low tariffs, as you know, by giving these preferences to the developing countries. Also, with the GSP, it gives the right of workers to unionize, to bargain collectively, and to strike by the approval of NAFTA. It excludes these workers’ rights from dispute resolution.

So, therefore, after NAFTA would go in, it would take away those preferences that the GSP gave to the workers of Mexico.

Thirdly, it will, in some estimations, increase immigration in the short run, because Mexican farmers will be pushed off their land for the industrialization of the building. And there is a feeling that it will not decrease immigration but that it will cause an increase by farmers coming over.

And, finally, there is no funding for NAFTA. We will lose \$3 billion in tariff revenues annually. There are some estimates it will cost \$30 billion to \$40 billion to put this in place, and the Federal Government will have to pick up, of course, a good portion of that tab.

These are just a few reasons that makes me feel that to approve NAFTA we will be going in the wrong direction.

Those are questions really and not a speech.

Secretary BENTSEN. Congressman, I think you point out some very serious concerns in our country. One of the things that disturbs me is, I think we have developed a first class world economy, competitive economy. When I attended the G-7 meeting in London in February, I was the freshman of all the finance ministers. Ten months later, I am the second most senior. It is because of the problems we are seeing around the world today and the structural unemployment; we have it here, too, but not as bad as we see it in Europe. And one of the reasons is that we adjust better in this country.

But my concern is, as we develop that world-class, first-class economy and become—which is a rather amazing thing—the engine of growth, I see negative growth in Europe; I see negative growth in Japan.

I attended a meeting in Avignon, France, 3 years ago. I listened to a Frenchman who got up before us and said what a change is happening in this world; the cold war is over. Now I am seeing the ascendancy of Europe as a world leader and the ascendancy of Japan as a world leader, and the decline of the United States. That isn't the way it has worked out.

But the other point of that problem—and you make it—is that within our country, we are also developing a Third World economy. That is what disturbs me, the very point you are making. But this administration is trying to address that one.

When you look at the Earned Income Tax Credit that has been passed, passed in the budget, that is an enormous, enormous transfer of income to low-income people, to encourage them to hold jobs, and to be able to keep jobs, not go on welfare. It is one of the most significant things that has happened in the way of legislation in addressing that problem.

I watch the Community Development Banks, what we are doing there in trying to assist some of the things we have done in trying to be sure minorities and low-income people are addressed. That may be part of the problem why it is in trouble right now, legislative wise.

Then I watched what we did with the NADBank and the side window to try to address some of those low-income areas that might be affected by NAFTA.

So we are sure trying to address that problem of yours. I think that it has to be and will continue to be. But I think also that creating more jobs in this country has to help our overall economy so

we can afford to address and do the things that have to be done in the way of—not just job retraining. A host of those people do not have jobs now, but we are trying to create jobs and trying to do the information dissemination to find those jobs, because a lot of our job training programs have really not been very productive in the past.

So I sure share your concerns.

Secretary CHRISTOPHER. Mr. Chairman, let me respond very briefly to Mr. Payne's comments.

Mr. Payne, I appreciate your having listened to, or read, my statement well enough to know that I did point out five problems that would be created by the rejection of NAFTA. The last half of my statement was devoted to that. I think that that is part of my job.

And I think the point I would like to make to you is that those are not purely negative statements. In each instance, there is an up side with the approval of NAFTA to match the downside that would come with the rejection of NAFTA. For example, approval of NAFTA would clearly improve our relations with Mexico for years ahead.

On the second point, I think approval of NAFTA would clearly improve our relations with the rest of Latin America. The rest of Latin America is looking forward to trade agreements not exactly like this one but comparable to this one. I think we need to give encouragement to that trend so this whole hemisphere becomes an open trading block and has the kind of vitality that other regions of the world have.

I think to take another one of my negatives, certainly approval of NAFTA, I think, would be a reassurance to the world that the United States is going to participate, that we are not going to shrink into isolationism.

The only point I wanted to make, Mr. Payne, is to thank you for listening to my remarks and also to say that I think each of the downsides I pointed out has a reciprocal upside if NAFTA is approved.

Chairman HAMILTON. The Chair would point out we have two others, Mr. Fingerhut and Mr. Faleomavaega. We will have to conclude with that. Several members were interested in a second round, as was the chairman; but we have to respect the time of the Secretaries. I am sure both of them would be happy to return upon request.

Mr. Fingerhut.

DIPLOMATIC PROBLEMS IF NAFTA FAILS

Mr. FINGERHUT. Thank you, Mr. Chairman.

Thank you to both Secretaries for being here today. I would add, since the subject has been raised, that as a new Member of Congress, I have been quite amazed at the extraordinary level of access I have had to both of you gentlemen and to your Departments in these 10 months, to get questions answered and issues raised.

Let me try and just take my time to do what I imagine you expected and that is to ask questions, one for each of you. They have both been touched on in different aspects. But perhaps I can reiterate them in some regard.

To Secretary Christopher, both Mr. Menendez and Mr. Payne recently pointed out that you have stressed the consequences if NAFTA loses.

In fact, I am looking at the op-ed page of the *New York Times*. Anthony Lewis has a similar piece in the paper today.

Knowing what a statesman and patriot you are, what I would like to ask you is: In the very real likelihood that NAFTA is not approved by this House, what diplomatic initiatives do you have in mind to address some of these very real concerns that you have raised today?

And to Secretary Bentsen, you, in your opening remarks reiterated something that I think President Clinton has said that has a great deal of merit. That is that NAFTA has not only, in its own terms but also in a broader symbolic way, come to be the vehicle in which a lot of the concerns of working people of this country have come to be expressed.

You visited my district. You saw first-hand the very strength of concern on the part of particularly those people who work in our manufacturing sector on a day-to-day basis. These are the people whose jobs, in many cases, have already left. Their concerns, quite frankly, are wanting to know when our Government is going to develop tax policies, trade policies, and other policies that reward them. What can we say to those businesses who have been supported by, for so long in our communities, that if you stay, you invest here, you hire our workers, they pay good living wages, they contribute to our communities, how can we reward them?

We recognize this is a two-way street. But if you leave, if you cut and run, if you take the easy way out to chase low-wage opportunities or other regulatory or tax incentives, that we will not reward that; indeed, we may well punish that.

When can we say to them we have those kinds of policies, so the broader questions that have come to be associated with NAFTA might be alleviated?

Both Mr. Secretaries.

Secretary CHRISTOPHER. Mr. Fingerhut, I am one of those who believes that NAFTA will prevail. My conversations with Members of Congress, which I have had a number of in the last few days, over the last several weeks, indicates to me that the tide is turning and that NAFTA will prevail.

I hope that that is true. I am going to continue to work as hard as I can to achieve that result. I don't think it would be useful to talk about contingency planning we might have. If it does not prevail, all I can say is that it will create very serious diplomatic problems for us if it does not prevail.

LOSS OF LOW WAGE JOBS

Secretary BENTSEN. Congressman, I would say that what we are looking at is a situation where NAFTA is certainly not creating a loss of low-wage jobs. We have lost some, without a question.

Most of them have gone to Asia. And I don't think that, by itself, NAFTA precludes that. But I do think it creates additional net jobs to us. I do think it is awfully important that we say to those people who have lower income here that, with an investment tax credit,

we make it easier for you to remain at work and not take welfare jobs.

Mr. FINGERHUT. Briefly, you recognize that while the earned income tax credit, most of us feel, was a significant advancement for true low-wage workers, we are talking about people who hopefully have been earning and, in fact, have been earning above that level but are being forced down to that level because of the loss of these jobs.

Secretary BENTSEN. All right. I will speak to that point more specifically then.

One of the things also that we have posed from Treasury and worked on is for those companies that leave and go to other areas and that develop passive income and do not pay the taxes on the income that they have increased in those areas, to see that they do not have that kind of a benefit where they can escape taxes. Those are some positive things we have done in that regard.

When you talk about expanding trade, that creates jobs, that means more of those kind of jobs are available to us. Those are jobs that pay about 12 percent more than jobs that just sell to the domestic market.

You have a net increase in exports. We have, you know, our toughest competition right now is not from low-wage countries; it is from Japan. Their wages are 30 percent higher than ours. That is the toughest competition we have. We have to meet that head on with increased productivity. And we are doing it.

Mr. FINGERHUT. I would love to continue this dialogue. I know I will be cutoff.

That begs the question of what are the policies of the Japanese Government, with respect to their businesses, that tell them that they can pay higher wages and be competitive because of the industrial policies of that country.

I would love to have that discussion when we have more time.

Secretary BENTSEN. I would like that. Thank you.

Chairman HAMILTON. Mr. Faleomavaega.

Mr. FALEOMAVAEGA. I would like to personally welcome both Secretary Christopher and Secretary Bentsen for our hearing this morning. I apologize for not being here earlier to hear your testimonies. I do have one question for both Secretaries if I may, Mr. Chairman.

One of the first things I learned coming here to Washington is, if you need a friend, get a dog.

Secretary BENTSEN. Harry Truman.

Mr. FALEOMAVAEGA. I have a boxer. I talk to him. He barks back at me. We have a very good communications system worked out here.

SITUATION IN SOMALI

To Secretary Christopher, I am not exactly clear on our foreign policies in terms of how it has been categorized and the priorities.

As has been mentioned before, I do have a sense of apprehension. And this apprehension is reflected in the fact, 2 days ago, this full committee voted on a very important issue that I think the President wanted us to give him that sense of approval. The vote was 21 to 22.

It so happens that perhaps my little vote may have counted in some respect. But the point I am making here is the fact that we have done a noble cause in saving 400,000 lives in Somalia. Now we are putting a deadline on saying on March 31, we pull out. We save 400,000 lives and pull out and feed them to the dogs—if you excuse the expression. I am concerned about that.

I am also troubled by the fact that, if the accounts are correct and despite repeated requests from the Chairman of the Joint Chiefs of Staff to the Secretary of Defense, for armored vehicles and assistance to help with the situation in Somalia, which, as a result, because the Pentagon refused to provide these vehicles, it cost us 18 lives of the finest fighting men we know in our armed services. That troubles me.

I don't have—I am not an expert certainly on foreign policy. There is another trend that seems to be coming up recently. That is that we not have regional czars appointed whenever something happens. Someone is appointed to cure this problem. What is happening? Do we have enough Assistant Secretaries or not enough Ambassadors or somewhere along the line?

I just want a clarification and assurances from Secretary Christopher if we can have some assurance that our policies in Somalia and Haiti are firm? We know what we are doing, there is no bickering between NSC, the Secretary of Defense, the Secretary of State; and there will be one person speaking on behalf of our foreign policy as far as foreign policy is concerned.

JAPAN-BASHING

Secretary Bentsen, is it fair we should portray the Japanese as some sort of bogeyman or monster saying. If NAFTA is not approved, the Japanese will—I think it is very unfair. Is it just the Japanese that are going to be taking advantage of this opportunity? Nothing to say about the French, the British, the European countries may also want to participate in the trade efforts? After all, we are promoting free enterprise, free market arena.

I just wanted to—I think it is funny that we point out just the Japanese as the monster that is going to benefit if NAFTA is not approved.

I just wanted responses from our witnesses.

Thank you, Mr. Chairman.

RESPONSE ON SOMALIA

Secretary CHRISTOPHER. With respect to Somalia, President Clinton was under great pressure to remove our forces in a very short period of time. Some talked about by night fall, others said within a month, others said by Christmas.

I think it was a good deal of courage on President Clinton's part to push back and say, no, we are going to permit the troops to stay there for 6 months so they can provide for a reasonable transition, a reasonable opportunity for a political settlement, a reasonable opportunity for other nations to come in and to fill the gap.

The United States has certainly done its part. We have pulled our ore there. There were 26,000 American troops in Somalia when I came into office.

So I think the decision the President took was a well balanced and wise decision to leave our troops there long enough so there could be a transition.

With respect to the requests for armor, I am going to have to, I think, wonder about some of the facts you state. I understood there was one request. I think it is—this is not entirely a question for me to answer, sir. But I am not sure it is entirely fair to impute the loss of those lives to that single decision.

The general in charge of the area said very forthrightly that the absence of the armor had nothing to do with the failure of the mission. It was a military mission that went wrong at the very last minute.

As I say, others would be better to answer this than I because it is a different department than mine. But I think I ought to say to you that I think it unfair imputation to suggest that that decision resulted in the loss of American lives because the general who was in charge of the matter said otherwise himself.

REGIONAL CZARS

You have asked a number of different questions. Let me just address the question of what you call regional czars. I would have to say that I think it is a very useful technique to have task forces in charge of various areas. It enables a group of people to concentrate on them.

I think the peace team we have in the Middle East under coordinator Dennis Ross and Assistant Secretary Barrigen has done a great job. It is because this group is dedicated to that project, I think Strobe Talbott and his group working on the New Independent States have done a better job than we would have done if we had proliferated responsibility for all of that.

That all has to come up to me, finally, and to the President for decision; but I think it is a very good technique. I think we ought to use it more to affix responsibility on some people to follow one job, one particular issue, predominantly.

I, frankly, would intend to use that technique more rather than less in the past.

My responsibilities are so broad that I need to have somebody in whom I have confidence who is working on that single issue.

I think I have addressed enough of your questions. I ought to give Mr. Bentsen a chance to comment.

Secretary BENTSEN. Let me comment on a couple of things if I may, Mr. Chairman.

Because you quoted that quote of Harry Truman's, "If you want a loyal friend in Washington, get a dog," that is a pretty cynical comment, really.

I knew Harry Truman.

Let me tell you, you develop friends that will last you a lifetime here. This is a great institution. It preserves the democratic process. We get a few goats in the crowd, but every group does. But I am awfully proud of this Congress.

Now let me state that when you make the comment about Japan bashing, I was very careful on that one. I said, and I read from my statement, "Japan and Europe have strategies for capitalizing on

regional trade; but, like the EC and Europe, we must have a strategy for our own backyard."

I go on to talk about who will be banging on our doors? The Europeans and the Japanese. I repeat it every time. I talk about the Japanese who are tough competitors and the Europeans who are tough competitors. I speak that in admiration. That is the kind of competition we have. That is what we have to take on.

And I think where they have the advantage in Europe is they bring the EC together and create that enormous market. And as we have seen, the Japanese, the Chinese are making the headway they have in that exploding market in Asia.

We, in turn, have the edge here. That is what I am talking about.

Chairman HAMILTON. The gentleman's time has expired.

Mr. Leach, for a final comment.

BOSNIA

Mr. LEACH. Mr. Chairman, I just wanted to make the observation that we live in a very risky world. Very thoughtful people are making very thoughtful decisions. We have to learn that mistakes are going to happen or accidents occur, and they do not always reflect on the judgment of individuals. In terms of the resignation issue, I personally suspect if the Secretary of State made another decision on Bosnia, there would have been more calls for his resignation than the ones that have been made.

Having said that, on behalf of the Minority, I would truly like to say that the Minority in Congress is very respectful of these two gentlemen who are appearing before us. We have a great deal of confidence in their ability and judgment.

WHAT HAPPENS IF NAFTA FAILS

Finally, I just want to end with one question that I think—not posing it as a question—I think you will have to spend a lot of attention to this. That is: What does happen if NAFTA does go down? Because, frankly, it looks like that is a decent possibility.

I would only suggest a strategic response ought to be, under the circumstances, and it is not understood in the rest of the world, that is that Congress is likely to become more not less committed to the GATT process in the event NAFTA comes down. That ought to be articulated immediately as strongly as possible if that circumstance develops.

In any regard, I am sorry to take more than 15 seconds. I want to just commend a fine performance from both men.

Thank you.

Chairman HAMILTON. Thank you, Mr. Leach.

Mr. Secretaries, it has been a high privilege for us to have you here this morning. We have appreciated your testimony. You have contributed to our knowledge of a number of different subjects.

The committee stands adjourned.

[Whereupon, at 12:07 p.m., the committee was adjourned.]

APPENDIX

PREPARED STATEMENT OF HON. DON MANZULLO

Mr. Chairman, I support NAFTA because it will create more good paying jobs in the 16th Congressional District of Illinois. I have enclosed a list of just a handful of companies in my district that have contacted me in the last few months about how NAFTA will directly benefit them. This list is by no means exhaustive. Every day, I am receiving more and more communications from workers in different companies explaining the benefits of NAFTA. Why are they so positive?

Because, essentially, NAFTA can be described in one phrase: reducing governmental economic barriers to a free flow of trade throughout North America. Goods manufactured in the United States and exported to Mexico have an average 10 percent tariff charged by Mexican authorities. Goods manufactured in Mexico and exported to the United States have an average 4 percent tariff. On top of that, there are a host of Mexican nontariff barriers, such as import licensing requirements and custom fees. NAFTA is an agreement to reduce to zero tariffs charged by the United States, Canada, and Mexico for goods and services made in each country and exported to the other.

In other words, Mr. Chairman, we face trade barriers $2\frac{1}{2}$ times as great as those that face Mexicans selling in this country. Common sense dictates that we will gain when NAFTA reduces all those barriers to zero. Already, exports from Illinois to Mexico have increased from \$278 million in 1987 to over \$1.35 billion in 1992 since President Salinas of Mexico voluntarily reduced trade barriers in a number of different areas. And, most of these exports are not sent to Mexico for final assembly. In fact, according to the U.S. Trade Representative, 83 percent of the growth in U.S. exports to Mexico in the last 5 years was for Mexican consumption—not for reexport.

Mr. Chairman, the entire hysteria about NAFTA is focused on our jobs going to Mexico. Yet, NAFTA neither encourages nor discourages American companies relocating to Mexico. They can do that now.

In fact, NAFTA may slow down or even reverse this trend. Already, in anticipation of NAFTA, some companies have relocated operations back to America because no longer will they have to make products in Mexico in order to sell there. Eclipse, Inc., which makes industrial process heating equipment, has closed up shop in Mexico and relocated all manufacturing operations back to the largest city in my district, Rockford, Illinois. While everyone raises scare tactics, few have even discussed this silent trend.

Mr. Chairman, I look forward to the testimony of Secretary Christopher and Secretary Bentsen today. NAFTA is not just about creating jobs in my district, it's also a test of our maturity of our relations with Latin America and the rest of the world. We stand at a pivotal crossroad in our international economic relations. I would seriously doubt that our international trading partners would be willing to make difficult concessions in the GATT global trade talks if they knew Congress would second-guess or reverse every administration proposal. Any hope for expanding a free trade zone with any other country would also be stopped in its tracks.

It's time to look at the facts, not the emotion of this debate and approve NAFTA. Thank you, Mr. Chairman.

STATEMENT OF THE HON. DON MANZULLO

How NAFTA will benefit the 16th Congressional District of Illinois:

1. *Chrysler* in Belvidere will manufacture the brand new Neon, an economically priced sub-compact auto to compete directly with the Japanese imports. If NAFTA

passes, Chrysler expects to export between 3,000 and 5,000 two door Neons made in Belvidere for sale in Mexico by the mid-1990's. If NAFTA is enacted, Chrysler expects by the year 2000 to export 118,000 vehicles to Mexico, creating 19,000 more jobs in the United States.

Moreover, Chrysler is supplied by hundreds of feeder manufacturers across the nation. Thus, as the auto sector increases in Mexican sales benefiting Chrysler directly, all feeder industries will also profit. But if NAFTA is defeated, the Mexican Auto Decree stays in place, which would make the direct export of Neons to Mexico from Belvidere very difficult, and more investment in Mexico necessary to meet the growing needs of the Mexican auto market. That's why automobile leaders like Lee Iacocca, former head of Chrysler, support NAFTA.

2. *Kraft Foods* has a presence all over the nation, including a processed cheese factory in Stockton. Under current regulations, Kraft must obtain an import license to export processed cheese into Mexico. Because Mexico rarely grants such a license, this regulation essentially requires Kraft to export the raw products to Mexico for processing in Mexican factories. NAFTA will eliminate the import licensing barrier and gradually eliminate import duties on processed cheese, allowing the export of U.S. manufactured cheese to Mexico, which will directly benefit the plant in Stockton.

3. *The Taylor Company* of Rockton supplies virtually all major U.S. "quick service" restaurant chains with soft-serve ice cream and frozen yogurt machines. These restaurants will be cheaper to build in Mexico because of the elimination of the tariffs for equipment and building materials. The U.S. leads the world in technology and manufacturing of restaurant equipment. The zero tariffs and rising standard of living for Mexicans translates into more restaurants and more equipment being sold from Rockton for Mexican markets.

4. *TC Industries* in Crystal Lake supplies blade edges for Caterpillar, John Deere, and other original equipment manufacturers and are supplying edges directly to Mexico. In 1992, 2,700 employees who work for supplier companies to Caterpillar, such as TC Industries, owe their jobs to Mexican exports. As the Mexican economy expands, the need for commercial and residential road and bridge construction increases, which translates into more building equipment for Mexico. Plus, the zero tariff makes it cheaper for Mexican companies to buy U.S. equipment as opposed to buying construction equipment from non-NAFTA companies such as Komatsu of Japan.

5. *Sun Electric Corporation*, located in Crystal Lake, a manufacturer of automotive test and diagnostic equipment, has been an increase of more than 40 percent of its sales to Mexico over the last 2 years. With the implementation of more strict clean air laws in Mexico, that country will need this equipment to test its cars, trucks and buses. Sun Electric expects to continue to export to the booming market in Mexico.

6. *Honeywell*, whose Microswitch division has plants in Freeport and Galena, also expects its sales in Mexico to double by 1995 as a result of NAFTA. Honeywell is a leader in environmental technology and climate control equipment, which is desperately needed in Mexico. Microswitch makes many of the switches and control boxes used in this equipment. In addition, Microswitch is a major producer of sophisticated electronic on-board automotive sensors that will continue to supply U.S. and foreign automotive manufacturers in Mexico.

7. *Sundstrand Corporation* of Rockford already does extensive business in both Canada and Mexico, particularly through the industrial units. The tariff reductions and protection for intellectual property, which are part of the principal treaty document, would open up markets for Sundstrand products, particularly in Mexico. Sundstrand expects to hire additional workers in Rockford to meet the expected increased demand for Sundstrand products, particularly from Mexico.

8. *Hydrotec Systems* of Rockton and *Aqua-Aerobic Systems* of Rockford, which sells water purification systems, eagerly anticipates the implementation of NAFTA. Currently, Hydrotec and Aqua-Aerobic face import duties ranging between 10 and 35 percent on their products. NAFTA wipes away those restrictions. And, with Mexico looking to improve its water quality, Hydrotec and Aqua-Aerobic expect to sell more of their water purification products in Mexico, creating more jobs in their companies.

9. *Eclipse, Inc.* of Rockford, which manufactures industrial process heating equipment for a wide range of industries (e.g. automobile, petrochemical, building materials, et cetera), has refocused its business strategy. Like the auto industry, Eclipse previously faced many Mexican government barriers that effectively prohibited the direct export of industrial heating equipment to Mexico. Because NAFTA wipes away these impediments to trade, Eclipse closed its manufacturing facility in Mexico and relocated its business back to Rockford. Eclipse is counting on being able to di-

rectly export to Mexico. If NAFTA is defeated, Eclipse would have to reconsider that strategy.

10. *Greenlee-Textron*, also of Rockford, is a manufacturer of tools and products for the nonresidential electrical construction market, railway industry, and powered utility market. It looks forward to the removal of tariffs and other competitive roadblocks by NAFTA for the expanded end use of its products. Improving Greenlee-Textron's competitiveness in Canada and Mexico has the potential of increasing new business sales along with the expansion of their work force.

11. *A.O. Smith*, which has a presence in Rockford, makes a wide variety of products including electric motors, water heaters, and frames for General Motor's Blazer light truck. Currently, the Blazer is out of the price range of most Mexicans, even the middle class, because of the 20 percent import tariff. With NAFTA abolishing this tariff, A.O. Smith Rockford's plant expects to manufacture more frames for the Blazer in anticipation of the new light truck market for GM in Mexico.

CONCLUSION

NAFTA is primarily about reducing government barriers to free trade across the borders of Mexico, the United States, and Canada. Good news doesn't get much play anymore. But if there's one story that deserves attention it is the good that NAFTA will do for everyone involved. It's a win-win situation for the 16th District of Illinois, the entire United States, Canada, and Mexico.

QUESTIONS SUBMITTED TO SECRETARY OF STATE WARREN CHRISTOPHER AND RESPONSES THERETO

Question 1. In a recent hearing in the Subcommittee on International Security, International Organizations and Human Rights, we heard testimony from Human Rights Watch and Amnesty International regarding human rights in Mexico and the priority—more aptly described as the lack of priority—given human rights during the negotiations of the North American Free Trade Agreement.

Human Rights Watch testified that "Regrettably, human rights issues were simply not on the trade table in NAFTA discussion between our government and Mexico . . . Absent from the discussion of NAFTA have been such issues as torture and due process abuses in a criminal justice system laced with corruption; electoral fraud and election-related violence; harassment, intimidation and even violence against independent journalists, human rights monitors, environmentalists, workers, peasants and indigenous peoples when they seek to exercise their rights to freedom of expression and assembly; and impunity for those who violate fundamental rights."

According to Amnesty International, "human rights should be a key point of discussion. In a context of NAFTA, the silence has been deafening."

Are these accurate statements? Was the issue of human rights on the agenda during the negotiation of NAFTA or the side agreements? If not, why not?

Answer. Contrary to such statements, the Department of State and other agencies have raised the issue of human rights regularly with the Government of Mexico. U.S. officials work closely with a number of human rights organizations including Mexico's Commission on Human Rights. U.S. officials have consistently pursued this issue in high-level diplomatic exchanges with the Government of Mexico. The USG has also trained some Mexican law enforcement officials to help develop their professional skills to include sensitivity to the need to respect human rights. The NAFTA negotiators concentrated on issues related to trade such as tariff schedules and product standards.

Question 2. Amnesty International asserts that "in our assessment, human rights violations persist in large numbers and impunity for human rights abusers continues to be the norm rather than the exception."

The United Nations Committee against Torture November 17, 1992 meeting concluded that "an extremely large number of acts of torture of all kinds were perpetrated in Mexico despite the existence of a legal and administrative act designed to prevent and punish them" but "the judicial police, in particular those officials who were responsible for acts of torture (seem) to enjoy a high degree of impunity in Mexico."

Would the Department of State agree with that description of human rights in Mexico?

Answer. The condition of democracy and human rights in Mexico has improved significantly in the past few years, although substantial improvement is needed. Mexican citizens have demonstrated increasing awareness of their rights, and concrete steps have been taken by the government to open the Mexican political system

and reduce human rights violations. Nevertheless, the Department agrees that torture and mistreatment of detainees continues to be a problem in Mexico. In our Country Report on Human Rights for 1992 we said the following:

"Torture is prohibited by the Constitution. However, police agents continue to employ psychological and physical torture. The most commonly used methods include threats, beatings, asphyxiation, and electric shock. In its first 2 years, the CNDH (National Commission on Human Rights) received 736 complaints of torture. According to the CNDH, torture complaints declined sharply during 1992 both in number and as a percentage of all complaints. The Commission received 292 such complaints from December 1991 to December 1992, compared with 422 the previous year. As a result of the CNDH recommendations issued up to December 1992 for complaints concerning torture, the Government brought criminal charges against 16 public officials. Although this represents an improvement, it continues a pattern of failure to try, convict, and sentence to prison police officials guilty of abusing detainees. Despite the decline in torture complaints to the Commission, some nongovernmental human rights monitors assert that there has been little decline in the number of such complaints which they receive."

The Department also notes in the report that Mexico amended its federal rules of evidence in 1991 in response to criticisms that many confessions were coerced. The amendment makes confessions inadmissible unless made before a judge or a Public Ministry official and in the presence of defense counsel or a person in whom the accused has confidence.

Question 3. What plans does the administration have to address human rights in our trade relations?

Answer. Human rights and democracy are a basic pillar of this administration's foreign policy, as is the improvement of the U.S. trade position in the world. In the case of Mexico, the Administration believes that NAFTA will support the more progressive, reform-oriented sectors of Mexican society and provide us with greater leverage in discussing human rights and democracy with the Mexican leadership.

NAFTA LETTER

THURSDAY, OCTOBER 28, 1993

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 10:15 a.m. in room 2172, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman) presiding.

[Whereupon the committee proceeded to other business.]

LEGISLATIVE RECOMMENDATIONS FROM CHAIRMAN HAMILTON ON NAFTA SUBMITTED TO THE ADMINISTRATION

Chairman HAMILTON. Now, there is one other item of business, and that relates to NAFTA, and I want to explain to members just what our role in it is, and what I intend to do, and I would welcome your advice.

The current plan is for the U.S. Congress to vote on NAFTA by Thanksgiving. In keeping with that schedule, the administration wants to introduce a NAFTA implementing bill next week.

This weekend the administration plans to pull together the legislative recommendations of the various congressional committees that will have jurisdiction over the NAFTA bill. Two House committees have conducted mock mark-up sessions on NAFTA.

Committees with more limited jurisdiction including ones like ourselves, we have a very limited jurisdiction, have transmitted letters with legislative recommendations.

Other committees have not acted at all.

Under fast track procedures, the President makes the final determination on the content of the implementing bill. During the past 2 weeks, the administration determined that aspects of the supplemental NAFTA agreements might need legislative authorization, and that the House Committee on Foreign Affairs would have jurisdiction over that portion of the legislation.

I understand that this determination was delayed because several funding and other issues relevant to the committee's jurisdiction took unexpectedly long to resolve. Given the late date and the limited scope of the legislation requested by the administration from this committee, I have decided to convey my own legislative recommendations to the President without formal committee action.

The staff has put in place in front of you a draft letter and draft legislation that I plan to transmit to the administration later

today¹ you will see that the recommended legislation deals exclusively with the implementation of NAFTA's supplemental agreements on environment and labor, and the proposed border environment commission.

The legislation was drafted by House and committee counsel in consultation with the executive branch. I welcome your comments on the legislative proposals, but I want to make two points.

First, the draft letter before you makes clear that I am offering these recommendations on my own, my name alone. Second, by making these recommendations, I'm trying to underscore the committee's jurisdictional prerogatives, and improve the quality of the implementing bill.

Regardless of what any member may think about NAFTA, I think we would all want the committee to be able to conduct effective oversight of the international institutions that would be created if NAFTA is approved.

I would have preferred that the committee had more time to consider this proposal. We did not. My view was that it would be better for me to try to make my own contribution to the NAFTA implementing bill, then for there to be no Foreign Affairs input at all.

I hope you will accept my judgment on this. I look forward to hearing your comments. You have a copy of the draft letter in front of you. We've tried to make it very clear in that letter that I was submitting it myself, and not involving any other members.

Mr. GILMAN. Mr. Chairman.

Chairman HAMILTON. Yes, Mr. Gilman.

Mr. GILMAN. Thank you, Mr. Chairman. It's my understanding that from what you are stating to us, the administration has just provided our committee with the draft authorizing language for the implementation of the NAFTA supplemental agreements, and for a proposed order environment commission, cooperation commission.

The agreements for that in the commission are both in the jurisdiction of our Foreign Affairs Committee. I understand your letter to the President does assert our jurisdiction in preparation for upcoming consideration of NAFTA, and I would observe for the record, however, that any action our committee is taking today doesn't reflect any individual member's support for NAFTA, or its supplemental environment and labor agreements.

To meet the environmental problems along our border with Mexico, the administration is proposing to create a commission to help coordinate environmental projects, and put together financing packages.

The BECC which is the border commission is intended to provide technical and financial planning assistance for environmental projects, but it will not attempt to manage or develop them on its own, it will work closely, as I understand it, with the International Boundary and Water Commission in the planning process, sharing staff and resources where appropriate.

It will have a bi-national board of directors, and an advisory council including representatives of state and local governments, as well as nongovernmental organization.

¹ The information appears in the appendix.

The administration is also proposing to create a new North American Development Bank to provide an additional source of financing the support for the border infrastructure projects which would be certified by the BECC.

I just wanted to note that for the information of our members.

Chairman HAMILTON. I thank the gentleman. This personal letter from me does not involve any member. We all know the battle for NAFTA will occur in other forums, not here. If you have any comments on this letter, I would be glad to consider it.

Mr. BEREUTER. Mr. Chairman.

Chairman HAMILTON. I wanted to inform you of it. Mr. Bereuter.

Mr. BEREUTER. Thank you, Mr. Chairman. Yesterday the Banking Subcommittee on which I serve which has jurisdictions over the multilateral development banks did take similar action.

Mr. Gilman just mentioned what in the last 2 days has come to have the name North American Development Bank. Before that it was going under a proposed different title.

It is clearly within the Banking Committee jurisdiction, but I looked at that legislation and wondered whether or not there were some Foreign Affairs Committee jurisdictional points related to the legislation the Banking Subcommittee heard yesterday.

Perhaps the staff has already examined that to see if we are losing jurisdiction, but I would suggest a second look at that time. I may be wrong or too cautious, but I would suggest before you send your final letter, that you might want to have staff look once more at the things that relate to the North American Development Bank that are in that proposed legislation to see if we are losing jurisdiction.

Chairman HAMILTON. We will do so.

Mr. BEREUTER. Thank you.

Chairman HAMILTON. I thank the gentleman for his comment. Any further comment?

If not, we stand adjourned.

[Whereupon, at 11:07 a.m., the committee adjourned.]

The Honorable William J. Clinton
President of the United States
The White House
Washington, DC

Dear Mr. President:

I am writing to transmit to you my recommendations for the content of that portion of the NAFTA implementing legislation that will fall within the jurisdiction of the Committee on Foreign Affairs.

I am submitting these recommendations in an effort to be supportive of the NAFTA legislative process and to ensure that the Committee is able to play an appropriate and effective oversight role, should NAFTA be implemented. These recommendations on legislation that will be submitted to Congress should not be construed as the recommendations of the Committee on Foreign Affairs.

Attached to this letter is draft legislative language prepared by House counsel in consultation with counsel from several Executive Branch agencies. Pursuant to your administration's request, this legislation addresses the authorities necessary to implement the North American Agreement on Environmental Cooperation, the North American Agreement on Labor Cooperation, and the Border Environment Cooperation Commission.

Specifically, the attached draft legislation:

- Grants the President the authority to carry out U.S. obligations under the labor and environmental supplementals, in accordance with applicable U.S. law;
- Authorizes U.S. participation in the Commission for Labor Cooperation and the Commission for Environmental Cooperation, which will enable the President to grant diplomatic privileges and immunities to foreign staff of the commissions;
- Authorizes funds to be appropriated to the President or agencies he designates to provide the U.S. contribution to the annual budgets of the commissions; and
- Authorizes U.S. participation in the proposed Border Environment Cooperation Commission.

I appreciate your consideration of these recommendations and look forward to working with on this matter.

With best regards,

Sincerely,

Lee H. Hamilton
Chairman

[FOR INCLUSION IN NAFTA IMPLEMENTATION ACT]

1 Subtitle___—IMPLEMENTATION OF NAFTA

2 SUPPLEMENTAL AGREEMENTS

3 SEC. __. AGREEMENT ON LABOR COOPERATION.

4 (a) AUTHORIZATION.—The President is authorized to
5 accept, on behalf of the United States, the obligations set
6 forth in the North American Agreement on Labor Co-
7 operation. Such obligations shall be fulfilled in accordance
8 with applicable United States law.

9 (b) COMMISSION FOR LABOR COOPERATION.—

10 (1) MEMBERSHIP.—The United States is au-
11 thorized to participate in the Commission for Labor
12 Cooperation in accordance with the North American
13 Agreement on Labor Cooperation.

14 (2) CONTRIBUTIONS TO BUDGET.—There are
15 authorized to be appropriated to the President (or
16 such agency as the President may designate)
17 \$2,000,000 for each fiscal year for United States
18 contributions to the annual budget of the Commis-
19 sion for Labor Cooperation pursuant to Article 43 of
20 the North American Agreement on Labor Coopera-
21 tion. Funds authorized to be appropriated for such
22 contributions by this paragraph are in addition to
23 any funds otherwise available for such contributions.
24 Funds authorized to be appropriated by this para-

graph are authorized to be made available until expended.

(c) DEFINITIONS.—As used in this section—

(1) the term “Commission for Labor Cooperation” means the commission established by Part Three of the North American Agreement on Labor Cooperation; and

(2) the term “North American Agreement on Labor Cooperation” means the North American Agreement on Labor Cooperation Between the Government of the United States of America, the Government of Canada, and the Government of the United Mexican States (signed at Mexico City, Washington, and Ottawa on September 8, 9, 12, and 14, 1993).

SEC. __. AGREEMENT ON ENVIRONMENTAL COOPERATION.

(a) AUTHORIZATION.—The President is authorized to accept, on behalf of the United States, the obligations set forth in the North American Agreement on Environmental Cooperation. Such obligations shall be fulfilled in accordance with applicable United States law.

(b) COMMISSION FOR ENVIRONMENTAL COOPERATION.—

(1) MEMBERSHIP.—The United States is authorized to participate in the Commission for Envi-

ronmental Cooperation in accordance with the North American Agreement on Environmental Cooperation.

(2) CONTRIBUTIONS TO BUDGET.—There are authorized to be appropriated to the President (or such agency as the President may designate) \$5,000,000 for each fiscal year for United States contributions to the annual budget of the Commission for Environmental Cooperation pursuant to Article 43 of the North American Agreement on Environmental Cooperation. Funds authorized to be appropriated for such contributions by this paragraph are in addition to any funds otherwise available for such contributions. Funds authorized to be appropriated by this paragraph are authorized to be made available until expended.

(c) DEFINITIONS.—As used in this section—

(1) the term “Commission for Environmental Cooperation” means the commission established by Part Three of the North American Agreement on Environmental Cooperation; and

(2) the term “North American Agreement on Environmental Cooperation” means the North American Agreement on Environmental Cooperation Between the Government of the United States of America, the Government of Canada, and the Gov-

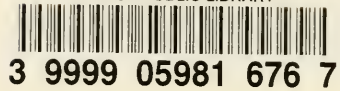
1 ernment of the United Mexican States (signed at
2 Mexico City, Washington, and Ottawa on September
3 8, 9, 12, and 14, 1993).

4 SEC. ____ . AGREEMENT ON BORDER ENVIRONMENT CO-
5 OPERATION COMMISSION.

6 (a) AUTHORIZATION TO PARTICIPATE IN THE COM-
7 MISSION.—The United States is authorized to participate
8 in the Border Environment Cooperation Commission in
9 accordance with the Border Environment Cooperation
10 Agreement.

11 (b) CONTRIBUTIONS TO THE COMMISSION BUDG-
12 ET.—There are authorized to be appropriated to the
13 President (or such agency as the President may designate)
14 \$5,000,000 for each fiscal year for United States con-
15 tributions to the budget of the Border Environment Co-
16 operation Commission pursuant to section 7 of Article III
17 of Chapter I of the Border Environment Cooperation
18 Agreement. Funds authorized to be appropriated for such
19 contributions by this subsection are in addition to any
20 funds otherwise available for such contributions. Funds
21 authorized to be appropriated by this subsection are au-
22 thorized to be made available until expended.

23 (c) STATUS, IMMUNITIES, AND PRIVILEGES.—Article
24 IV of Chapter I of the Border Environment Cooperation



1 Agreement shall have full force and effect in the United
2 States upon entry into force of that agreement.

3 (d) CIVIL ACTIONS INVOLVING THE COMMISSION.—

4 For the purpose of any civil action which may be brought
5 within the United States by or against the Border Envi-
6 ronment Cooperation Commission in accordance with the
7 Border Environment Cooperation Agreement (including
8 an action brought to enforce an arbitral award against the
9 Commission) the Commission shall be deemed to be an
10 inhabitant of the Federal judicial district in which its prin-
11 cipal office within the United States, or its agent ap-
12 pointed for the purpose of accepting service or notice of
13 service, is located. Any such action to which the Commis-
14 sion is a party shall be deemed to arise under the laws
15 of the United States, and the district courts of the United
16 States (including the courts enumerated in section 460 of
17 title 28, United States Code) shall have original jurisdic-
18 tion of any such action. When the Commission is a defend-
19 ant in any action in a State court, it may at any time
20 before trial remove the action into the appropriate district
21 court of the United States by following the procedure for
22 removal provided in section 1446 of title 28, United States
23 Code.

24 (e) DEFINITIONS.—As used in this section—

1 (1) the term "Border Environment Cooperation
2 Agreement" means the Agreement Between the Gov-
3 ernment of the United States of America and the
4 Government of the United Mexican States Concern-
5 ing the Establishment of a Border Environment Co-
6 operation Commission [and a Border Environment
7 Finance Facility] (signed at _____ on _____
8 ____, 1993);

9 (2) the terms "Border Environment Coopera-
10 tion Commission" and "Commission" mean the com-
11 mission established pursuant to Chapter I of the
12 Border Environment Cooperation Agreement; and

13 (3) the term "United States" means the United
14 States, its territories and possessions, and the Com-
15 monwealth of Puerto Rico.



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